



MINNESOTA STATE

Board of Trustees

30 East 7th Street
St. Paul, MN 55101

651-201-1705

Board of Trustees Meetings October 18-19, 2016



Minnesota State is an affirmative action, equal opportunity employer and educator.



Board of Trustees Meeting Schedule

Tuesday and Wednesday, October 18-19, 2016

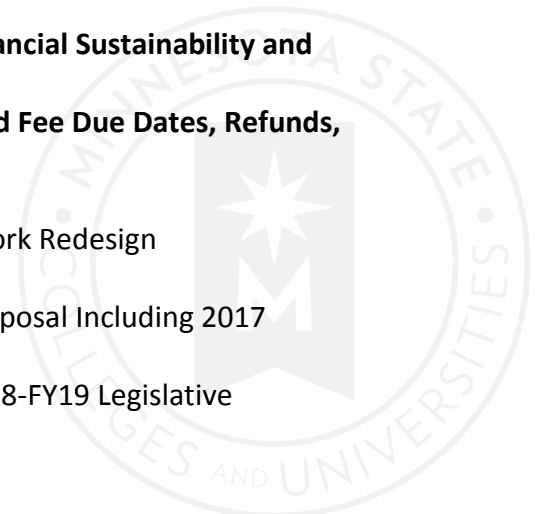
Minnesota State

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, October 18, 2016

- 9:30 AM Audit Committee, Bob Hoffman, Chair
1. **Minutes of June 21, 2016 and July 8, 2016**
 2. Internal Audit Update
 3. Internal Audit Department Planning
 4. Roles and Responsibilities of Audit Committee Members
- 10:30 AM Academic and Student Affairs Committee, Alex Cirillo, Chair
1. **Minutes of June 22, 2016**
 2. **Proposed Amendment to Policy 2.10 Student Housing (Second Reading)**
 3. Overview of Academic and Student Affairs
 4. Developmental Education Redesign
- 11:30 AM Study Session: Finance and Facilities Committee, Jay Cowles, Chair
- Facilities Design, Construction, and Operation Practices
- 12:30 PM Luncheon, Rooms 3304/3306
- 1:15 PM Finance and Facilities Committee, Jay Cowles, chair
1. **Minutes of the Study Session on Long-Term Financial Sustainability and Committee Meeting on June 21, 2016**
 2. **Proposed Amendment to Policy 5.12 Tuition and Fee Due Dates, Refunds, Withdrawals, and Waivers (Second Reading)**
 3. ISRS NextGen Update
 4. Internal Financial Model and Allocation Framework Redesign (First Reading)
 5. FY2018-FY2019 Legislative Operating Budget Proposal Including 2017 Capital Bonding Strategy (First Reading)
[Note: Public comment will be invited on the FY18-FY19 Legislative Operating Budget Proposal]



4:45 PM Meeting ends

5:30 PM Dinner (social event, not a meeting)

Wednesday, October 19, 2016

8:00 AM Board of Trustees, Michael Vekich, Chair
Room 3310, Third Floor
Closed session pursuant to Minnesota Statutes § 13D.05, subd. 3 (a) (2016)
(Minnesota Open Meeting Law)

- Chancellor's Performance Review

9:15 AM Board of Trustees Group Photo, First Floor Atrium

9:45 AM Human Resources Committee, Dawn Erlandson, Chair
McCormick Room, Fourth Floor
Closed session pursuant to Minnesota Statutes § 13D.03, (2016)
(Minnesota Open Meeting Law) on Labor Negotiations Strategy

- Inter Faculty Organization
- Minnesota State College Faculty
- Administrative and Service Faculty

10:15 AM Human Resources Committee, Dawn Erlandson, Chair

- **Minutes of April 20, 2016, May 18, 2016, and June 22, 2016**
- **Authorization to Enter Negotiations**

10:30 AM Board of Trustees Meeting

12:00 PM Meeting ends

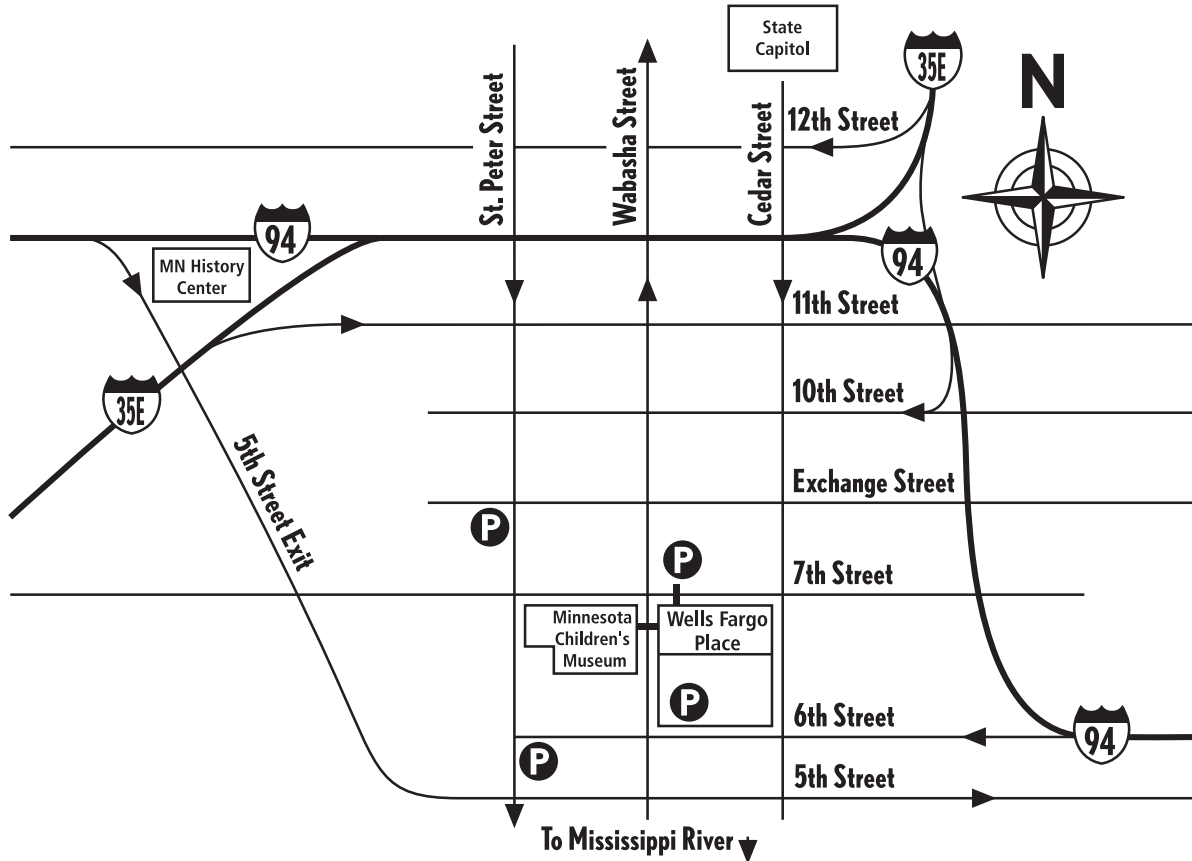


Minnesota
STATE COLLEGES
& UNIVERSITIES

Minnesota State Colleges and Universities 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
Executive Committee	November 2, 2016	
Committee / Board Meetings	November 15-16, 2016	November 15, 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	



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

Audit Committee
October 18, 2016
9:30 a.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 June 21, 2016 and July 8, 2016 (pages 1-7)**
2. Internal Audit Update (pages 8-10)
3. Internal Audit Department Planning (pages 11-17)
4. Role and Responsibilities of Audit Committee Members (pages 18-22)

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
June 21, 2016**

Audit Committee Members Present: Trustees Robert Hoffman, Kelly Charpentier-Berg, Jay Cowles, and Philip Krinkie.

Audit Committee Members Absent: Trustee Erma Vizenor

Others Present: Trustee Margaret Anderson Kelliher, Duane Benson, Maleah Otterson, and Michael Vekich.

The Minnesota State Colleges and Universities Audit Committee held its meeting on June 21, 2016, in the 4th Floor McCormick Room, 30 East 7th Street in St. Paul. Chair Hoffman called the meeting to order at 3:47 p.m.

1. Minutes of April 19, 2016

The minutes of the April 19, 2016 audit committee were approved as published.

2. Executive Director Search Update

Trustee Bob Hoffman gave a brief update about the search for the new executive director of the Office of Internal Auditing.

3. Annual Audit Plan for Fiscal Year 2017 Update

Mr. Eric Wion, interim executive director, explained that the typical process would be for the Office of Internal Auditing to draft an annual audit plan for the audit committee to review and approve for the upcoming year. He stated that this last year has not been a typical year and there have been a number of challenges. Mr. Wion stated that he had conversations with Committee Chair Trustee Hoffman, and they agreed to delay the fy2017 audit plan until the fall when we hope to have a new executive director in place who will be able to provide input in developing the draft audit plan. He stated that a number of projects remained from the current fy2016 audit plan, and his team would continue to work on those.

4. Itasca Community College Internal Control and Compliance Audit

Mr. Wion introduced both the Itasca Community College and the Hennepin Technical College Internal Control and Compliance audits. He reviewed the scope of both audits, but noted that there was some additional work that was done at Itasca Community College around bookstores, housing, food service and grant management.

Mr. Wion thanked both Itasca Community College President Bill Maki and Hennepin Technical College President Merrill Irving for their cooperation and the college assistance throughout the audit process. He also thanked the audit coordinators who worked on the reports.

Mr. Wion pointed out that Itasca Community College is one of five institutions that make up the Northeast Higher Education District. In addition to the president providing district wide leadership, there are other positions of leadership, including the Chief Human Resources Officer and the Vice President of Financial and Administration. Functional areas across the district, however, are relatively autonomous. In the college's response, they state that there are looking at ways to share more resources across the district.

Mr. Wion stated that the overall conclusion was that the college generally had adequate controls and complied with significant financial laws or system policies and procedures.

Mr. Wion reviewed finding number one related to receipts. There were a number of different deficiencies in areas where receipts were collected, and finding one provides an overview of those kinds of deficiencies. Mr. Wion reviewed finding number two related to employee's computer system access. He stated that there were examples of prior employees that continued to have access to ISRS because their accounts had not been deactivated timely. There were also employees who had more access than what they needed to complete their job duties, or once their duties may have changed.

Trustee Krinkie noted that the computer access finding was also noted in the report for Hennepin Technical College, and it's been a common finding in other audit reports. He asked if there was something that could be done systemwide to help reduce the number of situations where these access issues might occur. Mr. Wion agreed that access issues were a common finding in audit reports. He stated that one of the problems is that the system relies on manual processes to close incompatible access. He added that once the new ISRS system is in place, it may be worth exploring ways to automate the process so that when a person's employment ends the account would be at least temporarily deactivated, and would require someone to make a decision on whether to reactivate or actually disable the account.

Vice Chancellor Ramon Padilla, Information Technology, stated that there were different kinds of access issues. He explained that even if an employee is not de-provisioned out of ISRS, the process to deactivate their StarID happens fairly quickly. So a former employee may have access in ISRS, but they would not actually be able to get in because their StarID credential would not be current. There are manual processes in place to move the information between the StarID system and ISRS. Then there are also dormant accounts, which actually have been de-provisioned but they are still in ISRS, but the access is not granted. He stated that those cases were housekeeping in nature. Finally, there are individuals with more access than necessary for them to complete their job duties. He stated that generally speaks to the size of the institution than to employees who are trying to do something inappropriately.

Vice Chancellor Padilla stated that more could be done when ISRS NextGen comes online. He added that work was being done with regards to identity and access management. In addition, the work Vice Chancellor Mark Carlson is doing with the Human Resources regionalization center, to align similar practices across the campuses, will help as well.

Trustee Krinkie asked if these situations posed a significant security risk. Vice Chancellor Padilla stated that the computer access findings were important security issues that they

would continue to work on correcting, but he added that they were not the highest security issues for the system.

Trustee Cowles asked if there was a systemic process for other colleges and universities to take advantage of what was learned through audit results at a specific college or university. Vice Chancellor Laura King, Finance Department, explained that there was a long standing practice of sharing audit results with all the chief financial officers. The annual systemwide audit produces a very extensive information technology control environment, which is reviewed against national and international standards. She added that the work being done in the area of human resources flowed directly from the results of audit work done at Metropolitan State University. Vice Chancellor King stated that, as we move toward Nextgen, she believed that the internal audit work will be a great advantage in reimagining an administrative environment that will design out as much human error as possible in the control environment. Vice Chancellor King stated that the vision for Nextgen is fundamental in order to be successful at some of the recommendations that came out of the long term financial sustainability workgroup. She added that the system will have to improve the computing environment for students who are tremendously mobile in an environment that is segmented.

Trustee Krinkie asked if the findings were a result of too few staff on multiple campuses, or if there was a need to consolidate some practices. President Bill Maki, Northeast Higher Education District, stated that currently they do have five separate business offices. Over the years they had done studies to determine whether it would make sense to move to a single operation. President Maki stated that this work, along with other discussions that they've had, has made it apparent that the Northeast Higher Education District needs to act more like an enterprise and share services across the colleges. He stated that they will be moving toward having one business office across all five colleges. With that model they can have staff experts who manage different business practices for all five colleges. President Maki stated that by doing that he believed they would be able to focus locally on serving students better, being more efficient, and reducing risk. Trustee Krinkie thanked him for his efforts and his comments.

5. Hennepin Technical College Internal Control and Compliance Audit

Mr. Wion presented overview material on the Hennepin Technical College Internal Control and Compliance Audit. He provided background information and stated that it had been twelve years since the college's last internal control and compliance audit.

Mr. Wion stated that the overall conclusion was that the college generally had adequate controls and complied with significant financial laws or system policies and procedures.

Mr. Wion stated that finding number one identifies a number of errors that were made with employee sick leave and vacation accruals. The errors that occurred were attributed to human error. He stated that it was a very manual intensive process and can be prone to human error. He added that these were they kinds of issues that could be resolved with the shared services project that Vice Chancellor Carlson was undertaking.

Mr. Wion stated that finding number two involved ISRS equipment inventory. He stated that one of the most difficult requirements is the management of current assets on campuses.

He stated that board policy requires that items over \$10,000 be physically inventoried every year, and sensitive items, less than \$10,000, such as tablets, iPads, and laptops, need to be inventoried once every three years. Many of the sample items had not been inventoried in compliance with the board policy. In addition the majority of the items that had been disposed were still listed as current assets. Mr. Wion noted that this is a challenge for colleges with smaller items that move around. Finally he stated that there were some items that had been purchased that had not yet made it to the asset list in ISRS.

President Merrill Irving, Hennepin Technical College, praised the audit process and stated that the findings provided great conversational tools and challenging thoughts on how to do things better at the college. He stated that when it comes to the inventory process, it is important that they take ownership in each section and each place of the college, and then build that up into one centralized place so that pertinent items and information isn't lost when there is turnover.

Trustee Krinkie asked about finding three where there was an overpayment to a vendor. President Irving stated that the vendor had a statement of payment but the actual statement of work was different by about \$39,000. He stated that the business office worked diligently with the attorney general's office to close the gap, but there was a stalemate because the vendor had been paid in full. The college has decided to reengage with the attorney general's office to seek some type of closure and recompense.

Trustee Cowles asked about the adequacy of training for personnel. Mr. Wion stated that training was not an item that was explicitly explored in these audits. He noted however, that occasionally if there are deficiencies, those will come out during the course of an audit. Typically those are cases where positions are experiencing transitions. He added that with both of these audits that did not seem to be a significant issue.

Trustee Cowles asked if there were situations where the qualifications or the structure of the job description for the individual performing the role was inappropriate to the role being asked.

Mr. Wion stated that over the last few years it had been his observation that staff tend to have a primary role and their position descriptions focus on that primary role, but they tend to do a lot of additional tasks. He added that he had also observed, when there have been problems the common thread has been transition of people and positions, and individuals coming into roles that are very complicated and different than what they may have experienced outside of MnSCU. Trustee Cowles thanked Mr. Wion and said he found it valuable in reinforcing the direction toward shared services.

Vice Chancellor King added that as staffs have thinned out, the idea of detective controls instead of front end controls has become more important. She added that the system will have to think differently about how to train and what to train, because staff will have different skill sets with different kinds of supervisory requirements.

Trustee Hoffman thanked President Maki and President Irving for their presentations.

Finally, Trustee Hoffman thanked Mr. Wion for his work over the past year. He stated that Mr. Wion had picked up the leadership role when that was needed, and Trustee Hoffman offered his appreciation for all Mr. Wion's efforts.

The meeting adjourned at 4:45 p.m.

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
AUDIT COMMITTEE MEETING MINUTES
July 8, 2016**

Audit Committee Members Present: Trustees Robert Hoffman (by phone), Kelly Charpentier-Berg (by phone), Jay Cowles, Philip Krinkie, and Erma Vizenor (by phone).

Audit Committee Members Absent: none.

Others Present: Trustees Duane Benson, Dawn Erlandson (by phone), Maleah Otterson, Tom Renier (by phone), Elise Bourdeau (by phone), Louise Sundin, and Michael Vekich.

The Minnesota State Colleges and Universities Audit Committee held its meeting on July 8, 2016, in the 4th Floor McCormick Room, 30 East 7th Street in St. Paul. Chair Hoffman called the meeting to order at 9:01 a.m.

1. Appointment of an Executive Director of the Office of Internal Auditing

Trustee Hoffman gave a brief update about the search process. There were ten candidates initially, the committee interviewed five candidates. They chose one candidate for a second interview. The search committee was convinced that this person met the expectations and was the best candidate for the position of executive director of internal auditing.

Trustee Hoffman continued with a brief background that highlighted Mr. David Pyland's experiences. He stated that Mr. Pyland has had extensive professional experience, most recently he has been the director of audit services at Carolinas Healthcare System.

Trustee Krinkie stated that he had been part of the second interview. He found Mr. Pyland to be an exceptional candidate and believes that he will do a tremendous job for Minnesota State.

Trustee Cowles stated he had also been part of the second interview. He stated that he found Mr. Pyland to be a true professional, clearly motivated and dedicated to the very highest standards of internal audit. He has demonstrated the ability to bring together teams of managers and peers and instill a culture that goes beyond individual project assessments. Trustee Cowles stated that he believed Mr. Pyland would bring a perspective from his work in health care that has many similar dynamics to higher education, and may offer some fresh perspectives that will be valuable.

Trustee Hoffman added Mr. Pyland's leadership skills set him above the other candidates. He stated that the system needs leaders to take it through the era of change.

Chancellor Steven Rosenstone clarified that the search process was led by the chair of the audit committee. This is a board appointment, and not a recommendation from management. He added however, that he had been invited to participate in the final interview. He stated

that his hope would be that the executive director, while still independent in their activities and in their reporting line to the board, would be a partner in some of the big questions facing the system, like the continued work in the area of enterprise risk management and how best to design the new ERP, and long term financial sustainability. He added that this will be somebody who will be a resource to management and how to think about those questions with the audit perspective in mind. Finally he stated that he thought Mr. Pyland was a terrific hire for the board to make and he looked forward to working with him over the years ahead.

Trustee Hoffman called for a motion to approve the appointment of Mr. David Pyland as the executive director of internal auditing. Trustee Charpentier-Berg made the motion, Trustee Cowles seconded. There was no dissent and the motion carried.

RECOMMENDED COMMITTEE MOTION

The Audit Committee recommends that the Board of Trustees adopt the following motion.

RECOMMENDED BOARD MOTION

The Board of Trustees, upon the recommendation of the Audit Committee, appoints Mr. David Pyland as executive director of the Office of Internal Auditing effective, August 1, 2016. The terms and conditions of the appointments shall be governed by the Personnel Plan for MnSCU Administrators.

The meeting adjourned at 9:10 a.m.

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

Name: Audit Committee

Date: October 18, 2016

Title: Internal Audit Update

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:

Metropolitan State University requested the system's external auditor, CliftonLarsonAllen (CLA) conduct a required Perkins Loan closeout audit.

Contracts that do not impair the system auditor's continued independence are allowed under board policy.

Protocol requires communication with the Audit Committee to ensure the auditor's independence.

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
Internal Audit Update

BACKGROUND

The external auditor for the system, CliftonLarsonAllen, entered into a consulting engagement with Metropolitan State University to conduct required Perkins Loan closeout audit.

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 King and Deputy Director 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.



October 18, 2016
Office of Internal Auditing

Audit Committee

INTERNAL AUDIT UPDATE

- **Metropolitan State University request to the system's external auditor, CliftonLarsonAllen (CLA) to conduct required Perkins Loan closeout audit.**
 - Allowed by board policy
 - Protocol followed to ensure CLA's continued independence on the system's annual financial statement engagement.
 - Consultation between audit team and CLA's quality assurance group. Results communicated in letter to board and audit chairs.
 - Review by Vice Chancellor King and Deputy Director Wion
 - State law also required review of draft contract by the Minnesota Office of the Legislative Auditor.

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

Name: Audit Committee

Date: October 18, 2016

Title: Internal Audit Department Planning

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:

Topics to be discussed will include:

- External Quality Review in February 2016
- Risk Assessment Approach
- Audit Planning and Coordination
- Resource Needs and Organizational Structure
- Co-sourcing
- Supporting Technology and Tools
- November Audit Committee

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
Internal Audit Department Planning

BACKGROUND

Executive Director Pyland will share his observations, thoughts, and preliminary plans for the direction for the Office of Internal Auditing. The following topics will be discussed:

- External Quality Review in February 2016
- Risk Assessment Approach
- Audit Planning and Coordination
- Resource Needs and Organizational Structure
- Co-sourcing
- Supporting Technology and Tools
- November Audit Committee



October 18, 2016
Office of Internal Auditing

Audit Committee

Internal Audit Department Planning

External Quality Review in February 2016

- Performed by CliftonLarsonAllen
- Asked us to consider
 - Risk assessment approach
 - Audit planning and coordination
 - Resource needs and organizational structure
 - Co-sourcing for peak periods and specialized skills
 - Supporting technology and tools

Risk Assessment Approach

- Risk Assessment will be continuous; updated throughout the year
- Participate in Enterprise Risk Assessment lead by the Chancellor
- Conduct more detailed assessments during the year
 - Information Technology
 - Finance
 - Operations
 - Compliance
 - Fraud
- Conduct process risk assessments on individual audits

Audit Planning and Coordination

- The audit plan will be dynamic; a rolling 12-month plan
- Requires close coordination with management
- Identifies work in process, planned and targeted
- Allows flexibility to adjust for changing risks / special requests
- Ensures we are always focused on the most important issues

Resource Needs and Organizational Structure

- Resource need and location are being reviewed
- Options are being discussed with staff, unions and management
- Additional discussions are being held with HR and Finance

Co-sourcing

- Provides flexibility and specialized skills
- Working with Finance on a request for proposal
- Plan to engage at least two professional services firms
- IT audit and higher education industry experience are very important

Supporting Technology and Tools

- Automation for efficiency
- Practice management for effectiveness
- Data analytics for innovation
 - Continuous auditing
 - Root cause analysis
 - Benchmarking

November Audit Committee

- New Organization Chart
- Transition Timeline
- Initial Audit Plan

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

Name: Audit Committee

Date: October 18, 2016

Title: Role and Responsibilities of Audit Committee Members

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:

Board Policy 1A.2, Part 5, Subpart E stipulates that audit committee members “receive training annually on their auditing and oversight responsibilities.”

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
Role and Responsibilities of Audit Committee Members

BACKGROUND

The audit committee is responsible for overseeing the complex, technical work of external and internal auditing. Board Policy 1A.2, Part 5, Subpart E requires annual training for audit committee members to prepare them for carrying out their oversight responsibilities. The Executive Director has been meeting individually with Audit Committee members to accomplish the training. However, this session is an opportunity for members to discuss any items that they would like covered individually or as a group in the future.

Specific board policies that relate to the Audit Committee and the Office of Internal Auditing that members should be aware of are:

- 1A.2 Board of Trustees, Part 5, subpart E
- 1A.4 System Administration Appointment of Administrators
- 1C.2 Fraudulent or Other Dishonest Acts
- 1D.1 Office of Internal Auditing

Board policies are located at (<http://www.mnscu.edu/board/policy/>)

In addition, this session is intended to help prepare members for the process of reviewing the audited financial statements. In November, the Audit Committee will review the audited financial statements for the system, its Revenue Fund, and four state universities.



October 18, 2016
Office of Internal Auditing

Audit Committee

Role and Responsibilities of Audit Committee Members

ROLES AND RESPONSIBILITIES OF AUDIT
COMMITTEE MEMBERS

- Board policy 1A.2 requires the audit committee to have annual training of their roles and responsibilities.
- Overview today
- The Executive Director also meets individually with members.
 - Packet of reference materials
 - 3 of 4 completed

3



ROLES AND RESPONSIBILITIES OF AUDIT
COMMITTEE MEMBERS

- Primary Responsibilities
 - Hire the executive director of internal auditing who reports directly to the committee and the board.
 - Provide oversight of internal audits.
 - Provide oversight of independent external auditors who conduct the financial statement audits of Minnesota State.
 - oversee the process for selecting and removing audit firms
 - select one or more firms and recommend their appointment to the board
 - Review any other services to be provided by the firm
 - **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.**

4



ROLES AND RESPONSIBILITIES OF AUDIT
COMMITTEE MEMBERS

- November Audit Committee: Review and Discuss the Results of the Fiscal Year 2016 Financial Statement Audits
 - Minnesota State’s system-wide financial statements
 - Revenue fund
 - Four state university financial statements
 - Two small required audits: SCSU radio station and Itasca Community College student housing

5



ROLES AND RESPONSIBILITIES OF AUDIT
COMMITTEE MEMBERS

- Approximately one week in advance of November Audit Committee:
 - Members receive 3 ring binder 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

6





MINNESOTA STATE

ACADEMIC AND STUDENT AFFAIRS COMMITTEE

OCTOBER 18, 2016

10:30 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 June 22, 2016 (pp. 1-5)**
- 2. Proposed Amendment to Policy 2.10 Student Housing (pp. 6-8)
(Second Reading)**
3. Overview of Academic and Student Affairs (pp. 9-10)
4. Developmental Education Redesign (pp. 11-38)

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
JUNE 22, 2016**

Academic and Student Affairs Committee Members Present: Chair Alex Cirillo; Trustees Duane Benson, Elise Bourdeau, Maleah Otterson, Thomas Renier and Louise Sundin.

Academic and Student Affairs Committee Members Absent: Dawn Erlandson

Other Board Members Present: Trustees Anna Anaya, Jay Cowles, Kelly Charpentier-Berg, Robert Hoffman, Philip Krinkie and Michael Vekich.

The Minnesota State Colleges and Universities Academic and Student Affairs Committee held a meeting on June 22, 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 9:14 am.

- 1. Minutes of May 18, 2016 Academic and Student Affairs Committee meeting**
Trustee Otterson moved and Trustee Bourdeau seconded that the minutes from the May 18, 2016 meeting be approved as written. Motion carried.
- 2. Minnesota State College – Southeast Technical: Change in Institution Type and Change in Name (Second Reading)**

Presenters:

Ron Anderson, Vice Chancellor for Academic and Student Affairs
Dorothy Duran, President, Minnesota State College - Southeast Technical

Minnesota State College - Southeast Technical is requesting a change in institution type to expand its mission to a comprehensive technical and community college. If the Board approves this request, the college will be able to offer the Associate of Arts degree at both its Red Wing and Winona campuses.

The college's proposed new name is Minnesota State College – Southeast. The mission and name change proposal had a first reading in May during which Vice Chancellor Anderson said the Academic and Student Affairs staff, after extensive review, supported the change because of the benefit it will bring to the region and students.

Trustee Benson asked if technical colleges would be better served if the Board established a policy pertaining to mission and name changes, rather than the current extensive review process which ends with Board approval. This would allow for more local control over college missions and names, he said.

Chancellor Rosenstone pointed out that there are only a few technical colleges which have not have changed their mission to become comprehensive community colleges. He added that mission and name changes are not trivial and colleges need to be

diligent when evaluating the area's need and demand for additional degrees, as well as the college's physical capacity to meet student needs and financial consequences of mission change. Board oversight of the process is not inappropriate, he said.

Trustee Otterson moved the following committee motions:

The Academic and Student Affairs Committee recommends that the Board of Trustees approve the change in institution type and corresponding mission proposed by Minnesota State College – Southeast Technical.

The Academic and Student Affairs Committee recommends that the Board of Trustees change the name of Minnesota State College – Southeast Technical to Minnesota State College – Southeast.

Trustee Bourdeau seconded the motions; Motions carried.

3. Proposed Amendment to Policies (Second Readings):

a. 3.21 Undergraduate Course Credit Transfer

This was the second reading of policy changes resulting from the merging of Policy 3.37 Minnesota Transfer Curriculum into Policy 3.21. Language has been updated to improve transfer and to replace obsolete language with more current terminology. Formatting and writing styles also were updated.

No new comments were received regarding the policy after the first reading.

Trustee Otterson moved and Trustee Bourdeau seconded that the Board of Trustees approve the recommended changes to Board Policy 3.21 Undergraduate Course Credit Transfer. Motion carried.

b. 3.37 Minnesota Transfer Curriculum

This was the second reading of the proposed repeal of Board Policy 3.37 Minnesota Transfer Curriculum. This policy is being repealed since it has been integrated into the newly approved Board Policy 3.21.

Trustee Benson moved and Trustee Bourdeau seconded that the Board of Trustees repeal Board Policy 3.37 Minnesota Transfer Curriculum. Motion carried.

4. Metro Baccalaureate Strategy

Presenters:

Ron Anderson, Vice Chancellor for Academic and Student Affairs
Audua Pugh, North Hennepin Community College/Metropolitan State University
Deb Sidd, Dental Hygiene Instructor, Normandale Community College
Paul Plahn, retired, Cummins Power Generation.

This presentation provided the context and strategy for growing baccalaureate completion in the Twin Cities metropolitan area.

Vice Chancellor Anderson offered an overview of the growing need for a highly educated workforce in the Twin Cities metropolitan area. Population forecasts indicate the metropolitan population will grow to 3,743,000 by 2040. Incremental employees needing post-secondary credentials is expected to go from 144,300 to 421,800 between 2020 and 2040, and half of those employees are expected to need baccalaureate degrees.

Vice Chancellor Anderson said 100 percent of the projected metro area growth will be among communities of color and American Indian communities. Nationally, these communities have been the least likely to have participated in post-secondary education.

It is a challenge to provide enhanced baccalaureate pathways to meet divergent student needs, Vice Chancellor Anderson said. Baccalaureate student pathways have students who are seeking a residential experience; students starting as freshman or seeking programs not offered at Metropolitan State University; transfer students; and students with location constraints because of their income level, limited transportation, work status or family obligations.

There are 76,000 metro-area students at Minnesota State two-year colleges who are on the road to baccalaureate degrees. Currently, 30 percent of two-year college graduates stay in the system, with 14 percent going to Metropolitan State and 16 percent going to greater Minnesota universities. Forty-eight percent of these students leave the system, with 14 percent of that number going to the University of Minnesota and 34 percent going to private for-profit and private non-profit institutions.

A large portion of students who attend a system two-year college do not enroll in any four-year college or university within four years and this is an opportunity for growth in the system, Vice Chancellor Anderson said.

The system's strategy to meet the increased need for baccalaureate education in the metropolitan area has several components:

- The seven state universities will strategically and collaboratively expand baccalaureate programming in the metro area. It will be anchored by Metropolitan State University and complemented by greater Minnesota universities.
- Programs will be located on metro area college campuses, with the largest concentration of offerings on the western and northwestern campuses;
- Use existing campus facilities without incurring additional capital expenditures for new building at this time.

It's estimated that "growing" programs at Metropolitan State University will meet approximately 50 percent of the incremental need for baccalaureate degrees by 2040. Growing greater Minnesota university programs offered in the metro area will meet 30 percent of the need and growing greater Minnesota university programs offered outside the metro area will meet 20 percent of the need.

The enhanced baccalaureate student experience in the metropolitan area will offer students access to a full array of high growth, high-demand degrees, as well as the full range of programs available at universities in greater Minnesota. Student support services on metropolitan campuses will ease students' transition and students will experience the full benefits of enrolling in a collaborative system of colleges and universities, Vice Chancellor Anderson said.

Existing capacity at Metropolitan State University and on metro area college campuses will adequately support the growth of baccalaureate program offerings over the next decade. Construction or leasing of new buildings will not happen at this time, Vice Chancellor Anderson said. Metropolitan State University will continue to focus its program offerings on its main campus, distributed community sites and metro area college campuses. Greater Minnesota state university will form stronger partnerships with metro colleges to enhance the baccalaureate presence and use of existing space.

This strategy will not come at the expense of existing universities, Vice Chancellor Anderson said. Rather, a collaborative approach will be taken to keep those universities strong, while enhancing opportunities for metropolitan students.

Paul Plahn, a retired executive from Cummings Power Generation, spoke to the Board about his experiences working and mentoring students in higher education engineering programs, including those at Minnesota State University, Mankato and Metropolitan State University.

Audua Pugh, a stellar graduate from North Hennepin Community College, said she and other students she has spoken with are happy and anxious to take advantage of expanded baccalaureate programs on college campuses. She said the affordability and convenience of being able to take baccalaureate courses on a nearby campus will attract students who otherwise would not be on a baccalaureate track.

She offered trustees a few suggestions, including the need for greater seamless student services. This could be done by improving advising, providing clear information on course equivalencies for baccalaureate programs and providing access to all educational resources on the college campuses, she said.

Deb Sidd, an instructor at Normandale Community College and online instructor at Metropolitan State University, described the dual admissions enrollment in the dental hygiene program. Students simultaneously take online upper division courses while earning their associate's degree courses. This means they can earn their baccalaureate degree one to two semesters after receiving their associate's degree.

This partnership between Normandale Community College and Metropolitan State University is a national model and it works so effectively because of its shared goals and vision, Sidd said. The partnership is expanding to Lake Superior College and Minnesota State Moorhead this fall and Rochester Community and Technical College and Century College are considering it as well.

Students are the beneficiary of this seamless, collaborative approach, Sidd said. It is student-focused since it minimizes unnecessary credits and allows for a quick achievement of a baccalaureate degree.

Trustee Sundin said she is disappointed with the metropolitan baccalaureate strategy as presented and can't support it. She called it a "hodgepodge" approach which does nothing for current and potential students in the metropolitan area who want a residential university experience at a public institution. It is unrealistic to believe that universities in greater Minnesota can meet the needs of a growing urban student population, she said.

Trustees Sundin and Krinkie said there needs to be an aggressive direct marketing campaign to make students aware of the availability of enhanced baccalaureate opportunities. The lower cost of the programs compared to those in the private sector is an attractive enticement that should be touted, Krinkie said.

Trustee Sundin said she is concerned with the institutional names that will appear on transcripts. She asked if it would be possible to create more of a physical "identity," such as calling a group of colleges in the western suburbs "Metro West."

Chancellor Rosenstone said there probably would be accreditation issues involved with such a proposal and that would further delay the implementation of this strategy. He said it is likely the efforts being launched now will evolve and grow over time, which could eventually impact facilities, student living options and institutional names.

Trustee Otterson moved and Trustee Renier seconded that the Academic and Student Affairs Committee recommends that the Board of Trustees endorse the 2016 metro area baccalaureate strategy and charge the chancellor with establishing the appropriate oversight structure and system procedures necessary to implement the strategy. Motion carried with Trustee Sundin voting against.

5. Proposed Amendment to Policy 2.10 Student Housing (First Reading):

First reading of this proposed amendment which replaces obsolete language.

The meeting adjourned at 10:43 am
Respectfully submitted,
Margie Takash, Recorder

**MINNESOTA STATE
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Name: Academic and Student Affairs Committee

Date: October 18, 2016

Title: Proposed Amendment to Board Policy 2.10 Student Housing (Second Reading)

Purpose (check one):

- | | | |
|--------------------------------------------------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------|
| <input checked="" 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 type="checkbox"/> Information | |

Brief Description:

ASA staff reviewed Board Policy 2.10 as part of its five year review cycle. The proposed amendment consists of replacing obsolete language with more current terminology and technical edits resulting from new formatting and writing standards being applied to the policy.

The proposed amendments were reviewed by the Office of General Counsel, cabinet, then 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.

Scheduled Presenter(s):

Ron Anderson, Vice Chancellor for Academic and Student Affairs

Toya Younger, Associate Vice Chancellor for Student Affairs and Interim Chief Diversity for
Diversity, Equity and Inclusion

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

BOARD ACTION

POLICY 2.10 STUDENT HOUSING (SECOND READING)

BACKGROUND

Board Policy 2.10 Student Housing was adopted by the Board of Trustees on June 20, 1995 and implemented on July 1, 1995. The policy was last amended in 2007 when the policy title was changed from Residence Hall to Student Housing and *campus student association* language was added to be consistent with Policy 2.3 Student Involvement in Decision-Making. Board Policy 1A.1, Part 6, Minnesota State Colleges and Universities Organization and Administration, requires periodic review of all board policies.

PROPOSED AMENDMENT

The proposed amendment to Board Policy 2.10 is identified by strikethrough and underlining in the policy. The proposed amendment consists mostly of technical edits that resulted from new formatting and writing standards being applied to the policy and the replacement of obsolete words with more current terminology.

REVIEW PROCESS

The proposed amendment of Board Policy 2.10 was circulated to all presidents, employee representative groups, student associations, and campus leadership groups. The policy review was discussed with the Leadership Council. All comments received during the review process have been examined and responses sent to the commentators.

RECOMMENDED BOARD MOTION

The Board of Trustees approve the recommended amendment to Board Policy 2.10 Student Housing.

Date Presented to the Board of Trustees: June 22, 2016

Date of Implementation: xx/xx/xxxx

BOARD OF TRUSTEES
MINNESOTA STATE

BOARD POLICY	2.10
Chapter 2. Students	
Section 10. Student Housing	

1 **2.10 Student Housing**

2

3 **Part 1. Purpose**

4 To promote access to reasonably-priced student housing along with student life activities and
5 educational programs for enrolled students.

6

7 **Part 2. Definitions**

8

9 **Student housing:**

10 Housing for students that is owned, leased, or managed ~~staffed, and/or operated~~ by colleges
11 and universities of Minnesota State ~~Colleges and Universities~~.

12

13 **Part 32. Requirement to Live in College and University sStudent hHousing-**

14 ~~The major purpose of college and university student housing is to provide affordable housing and~~
15 ~~educational programming for students. Colleges and universities may establish policies to that~~
16 ~~require students to live in student housing. Such a requirement shall be initiated only after~~
17 ~~eConsultation with the appropriate student groups including the campus student association must~~
18 ~~occur before the requirement is implemented.~~

19

20 **Related Documents:**

21 •

22

23 **Policy History:**

24

25 *Date of Adoption: 6/20/95*

26 *Date of Implementation: 7/01/95*

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

28

29 *Date & Subject of Revisions:*

30 *Xx/xx/xx – Applied new formatting and writing standards resulting in technical edits, added*
31 *“leased” to the definition of “student housing”.*

32 *01/17/07 - The amendment changed the title of the policy from Residence Hall, slightly*
33 *broadened campus authority to establish a policy to require students to live on campus,*
34 *and added "campus student association" to be consistent with Policy 2.3.*

35

36 *No additional HISTORY*

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

Agenda Item Summary Sheet

Name: Academic and Student Affairs

Date: October 18, 2016

Title: Overview of Academic and Student Affairs

Purpose (check one):

Proposed
New Policy or
Amendment to
Existing Policy

Approvals
Required by
Policy

Other
Approvals

Monitoring /
Compliance

Information

Brief Description:

The Vice Chancellor for Academic and Student Affairs will provide an overview of the Academic and Student Affairs division and its priorities for FY17.

Scheduled Presenter(s):

Ron Anderson, Vice Chancellor for Academic and Student Affairs

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

INFORMATION ITEM
OVERVIEW OF ACADEMIC AND STUDENT AFFAIRS

BACKGROUND

Each year, the Academic and Student Affairs division aligns its work and priorities with those of system priorities, the Charting the Future work plan, and emerging campus needs. In FY17, the ASA division will focus on the following three strategic priorities:

1. improving student success and eliminate the opportunity gap,
2. strengthening and improve transfer, and
3. strengthening academic planning and collaboration.

The Vice Chancellor will provide an overview of the work underway to address each of these priorities.

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

Name: Academic and Student Affairs

Date: October 18, 2016

Title: Developmental Education Redesign

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 developmental education within the system. The background material will provide an overview of the types of innovations in developmental education occurring on Minnesota State campuses, improvements in developmental education processes at the systems level, and student enrollment data in developmental education. The presentation will present areas of opportunities and ask trustees to discuss strategic questions.

Scheduled Presenter(s):

Ron Anderson, Vice Chancellor for Academic and Student Affairs
Pakou Yang, System Director of P-20 and College Readiness

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

INFORMATION ITEM
DEVELOPMENTAL EDUCATION REDESIGN

BACKGROUND

Minnesota State Colleges and Universities offer developmental courses available to students who do not meet college-level placement in the areas of English, reading, and mathematics.

Minnesota State Colleges and Universities Board Policy 3.3 requires each institution to have a course placement policy and requires the chancellor to select a system-endorsed placement instrument for assessment of reading comprehension, written English, and mathematics. System Procedure 3.3.1 defines developmental and college-level courses, identifies the system endorsed instrument, provides for exemptions from placement testing for certain students, and establishes minimum scores for placement into college level courses.

This presentation will provide information for trustees and an update on developmental education within the system. The background material will provide an overview of the types of innovations in developmental education occurring on Minnesota State campuses, improvements in developmental education processes at the systems level, and student enrollment data in developmental education. The presentation will present areas of opportunities and ask trustees to discuss strategic questions.



October 18, 2016

Academic and Student Affairs

Developmental Education

Board of Trustees

Academic and Student Affairs Committee

EXECUTIVE SUMMARY

- Campus curricular and support strategy innovations are significantly improving student outcomes and progression through developmental education
- Enrollment in developmental education courses has significantly declined over the past five years, saving students both time and money
- Issues surrounding developmental education are being addressed collaboratively



EXECUTIVE SUMMARY

- Developmental education is key to addressing educational disparities, as students from underrepresented communities are much more likely to be enrolled in developmental education courses
- Continued innovation in both secondary and post-secondary systems is needed to fully address college readiness disparities

Questions on Background Materials?

STRATEGIC QUESTIONS FOR DISCUSSION

- Are there additional strategies that you would suggest the colleges and universities consider relative to developmental education?
- Are there specific policy questions that you would suggest the colleges and universities consider relative to developmental education?

Background Materials

Developmental education is more than a series of courses

- Developmental education is more than a series of precollege-level courses aimed at closing gaps in academic preparedness. It also includes:
 - Personal development
 - Academic development, and
 - Support services and interventions
- Developmental education is based upon research findings in cognitive and developmental psychology

Developmental education is critical in addressing outcome disparities

- Disparities in academic outcomes follow students from high school to college
- There are significant disparities in college readiness among our new entering students
- Developmental education is key to addressing readiness disparities and preparing students for success in their college-level coursework

Developmental education closes academic preparation gaps

- Appropriate academic preparation is critical to the success of college and university students
- Our colleges and universities have a responsibility to meet students where they are when they enter our doors, and support their progression through their chosen educational pathway
- Development education addresses the gap between a student's prior academic preparation and the preparation needed to succeed in college-level coursework

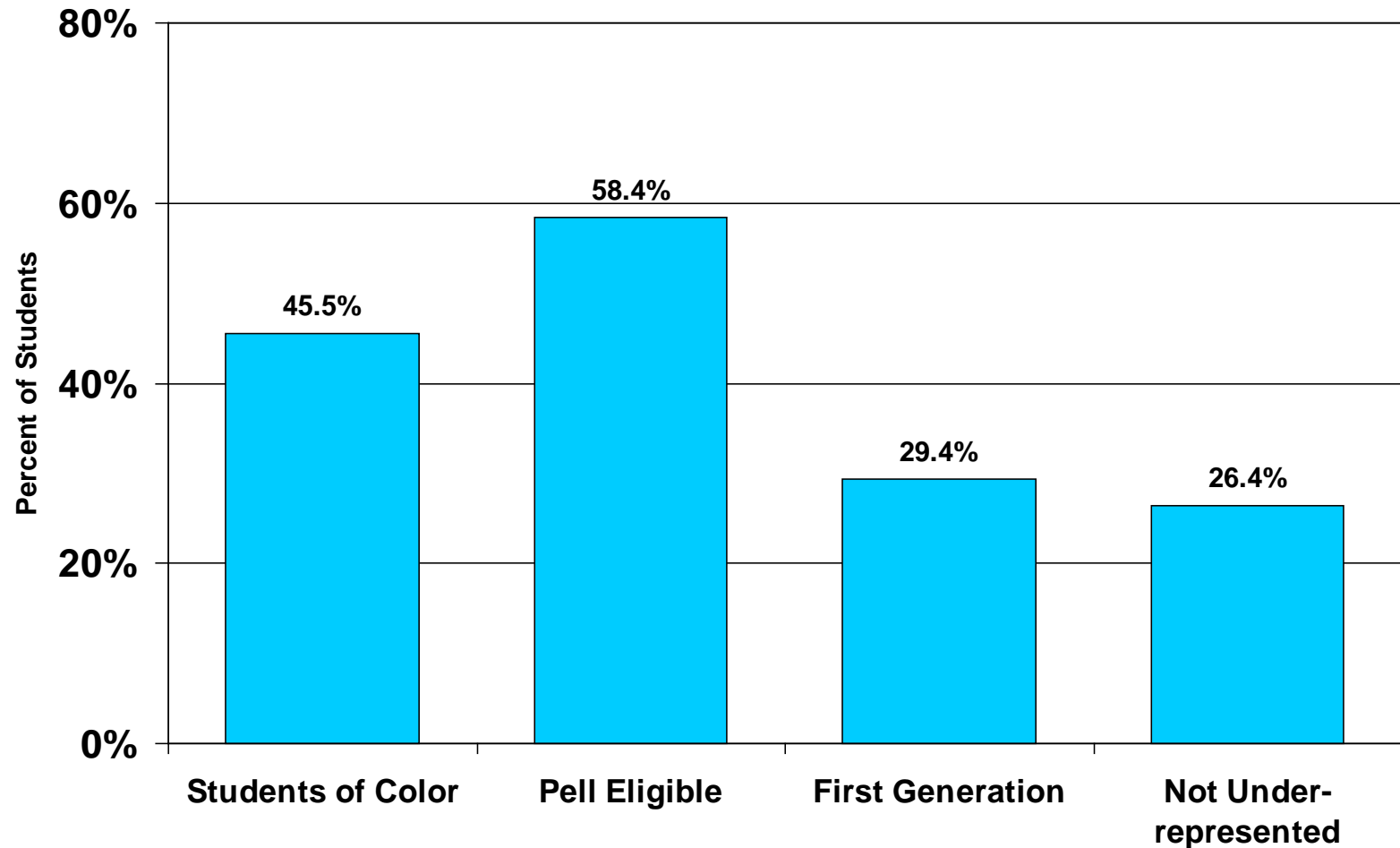
Academic preparation is assessed through multiple measures

- Board Policy 3.3: Assessment for Course Placement establishes the use of a common assessment instrument
- Procedure 3.3.1 establishes common minimum assessment scores for placement into college-level courses
- For students with scores below the established minimums, additional factors are taken into consideration
 - When taken together, the test score and other factors may result in placement directly into college-level courses

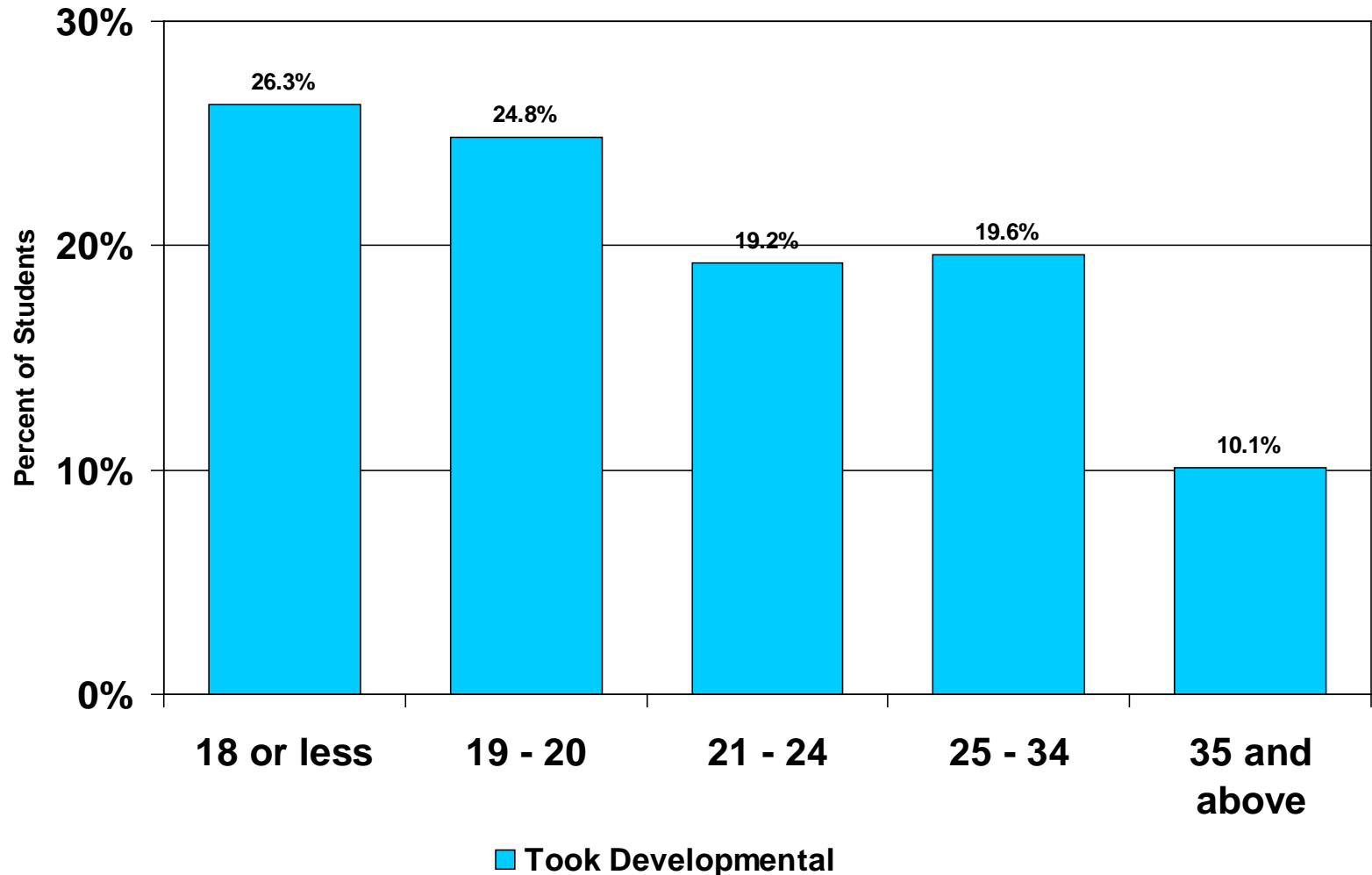
DEMOGRAPHIC PROFILE OF STUDENTS ENROLLED IN DEVELOPMENT EDUCATION



Students in developmental education courses are much more likely to be underrepresented students

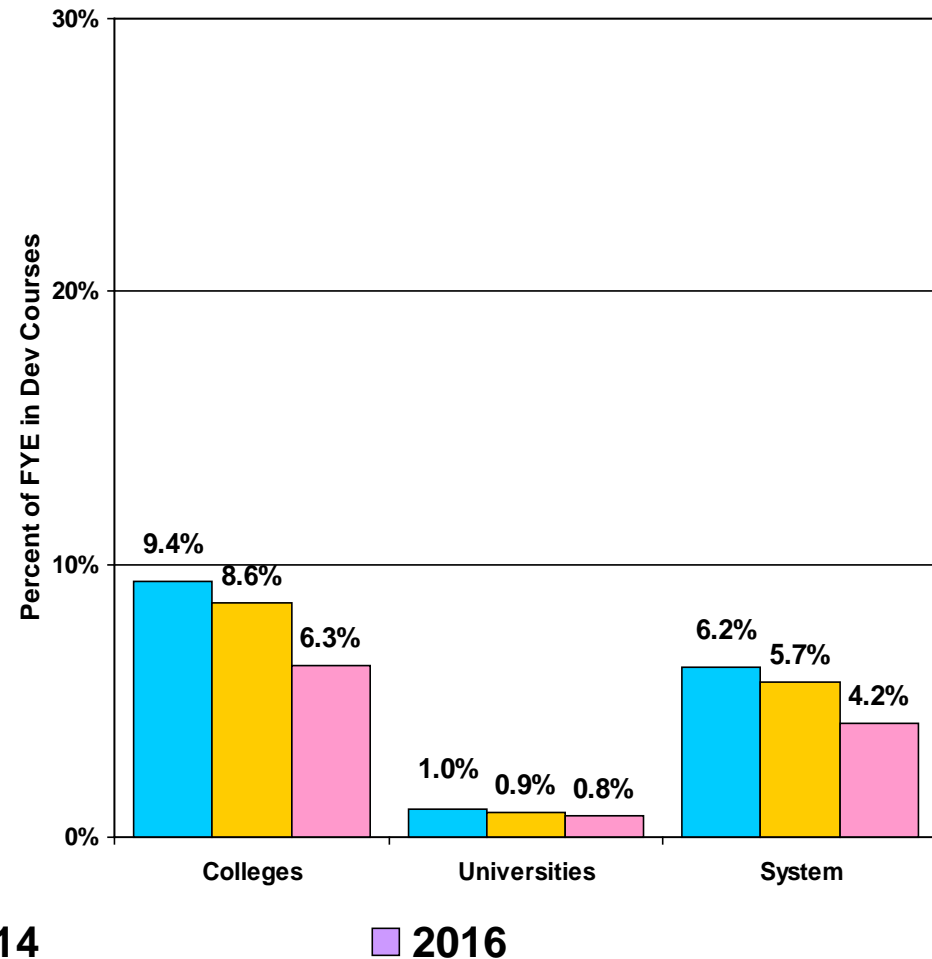
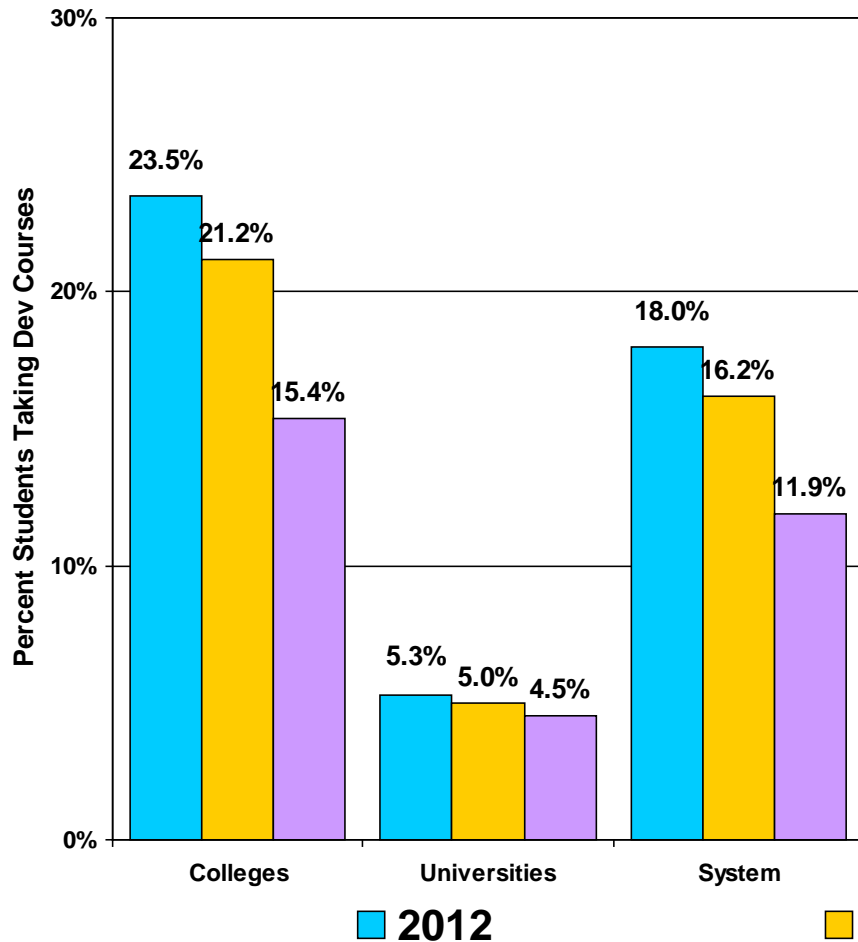


Students enrolled developmental courses also tend to be slightly younger

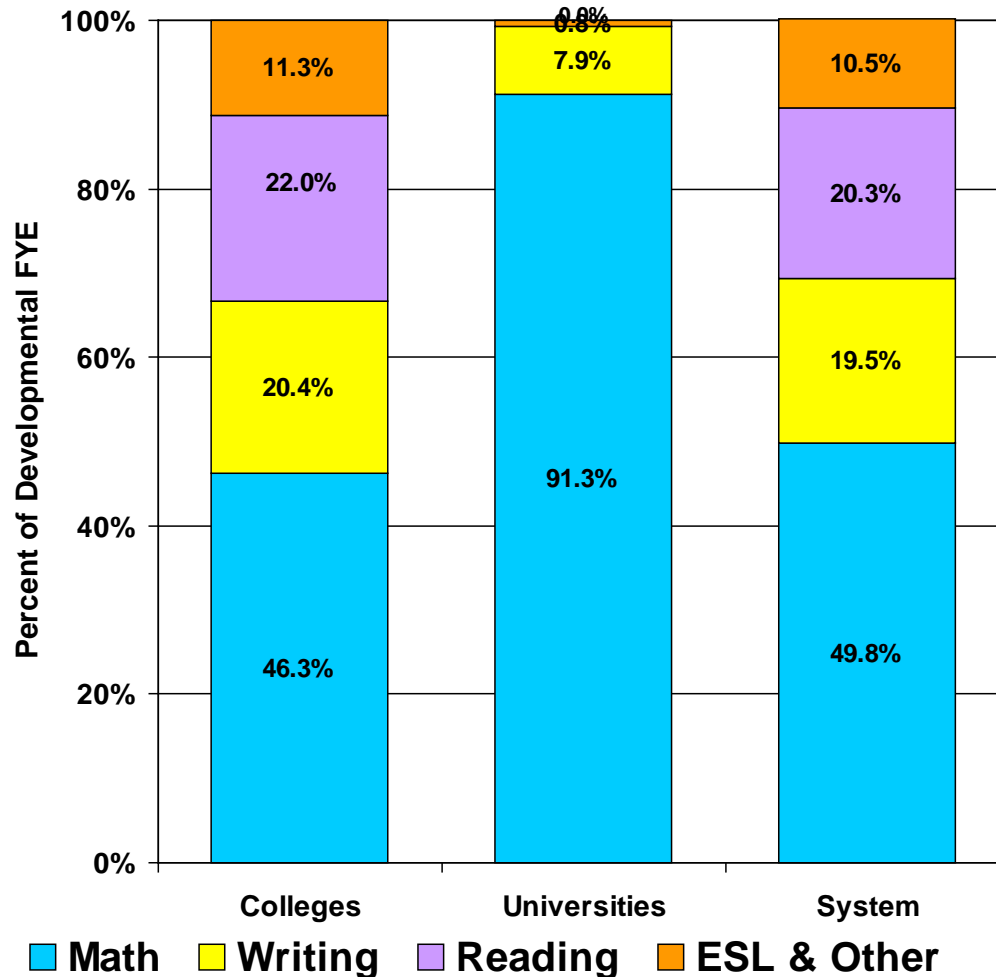


ENROLLMENT TRENDS IN DEVELOPMENTAL EDUCATION

Percent of students and FYE in developmental courses has decreased substantially since 2012



Developmental education courses and FYE enrollment are primarily in mathematics



PROFILE OF DEVELOPMENTAL EDUCATION PROGRAMS ON OUR CAMPUSES

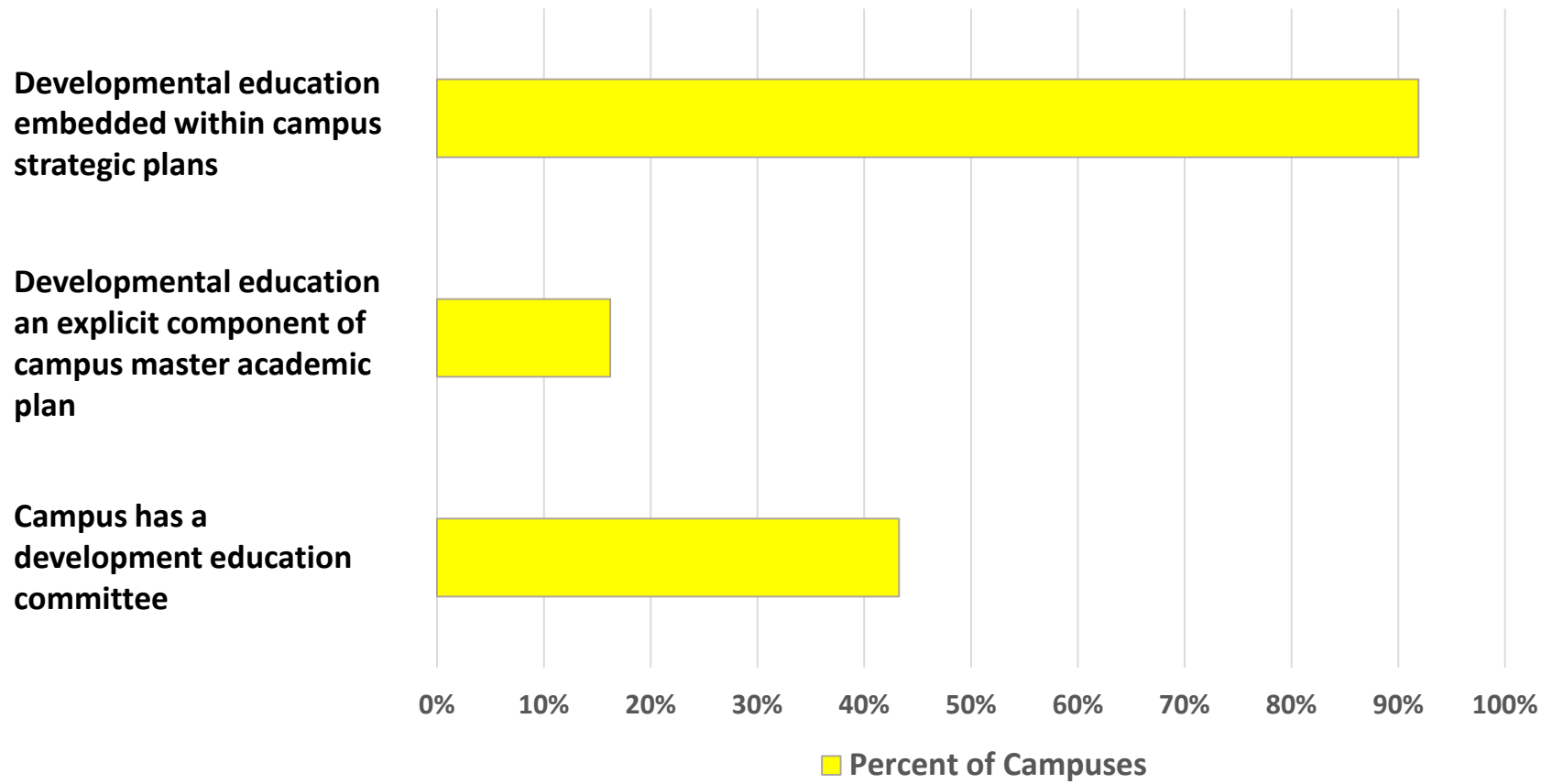
Developmental education is delivered at both our colleges and our universities

- Developmental education programs typically include the following components:
 - Assessment of academic preparation for purposes of appropriate course placement
 - One or more credit-based courses in core areas of reading, writing, and mathematics
 - Focused tutoring and academic supports available outside of class
- Although colleges and universities both offer developmental education programs, the vast majority of development education is delivered by our colleges
 - 92% of developmental education FYE enrollment is delivered by the colleges

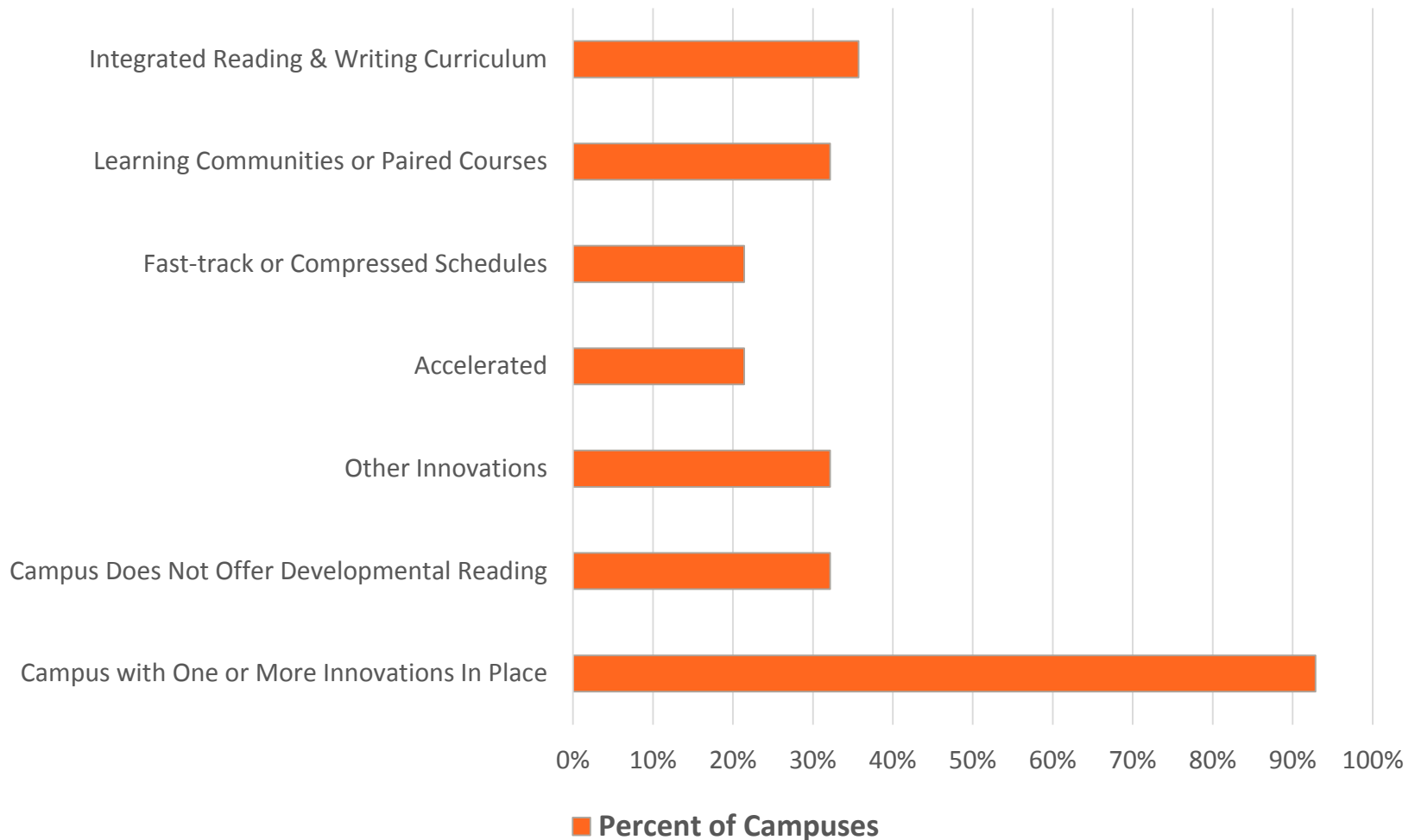
Campuses have been innovating in developmental education based on proven practices

- 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 reading skills first
- Aligning college mathematics courses with specific program requirements
- Implementing early alert systems, intensive advising, focused academic support, and peer and professional tutoring

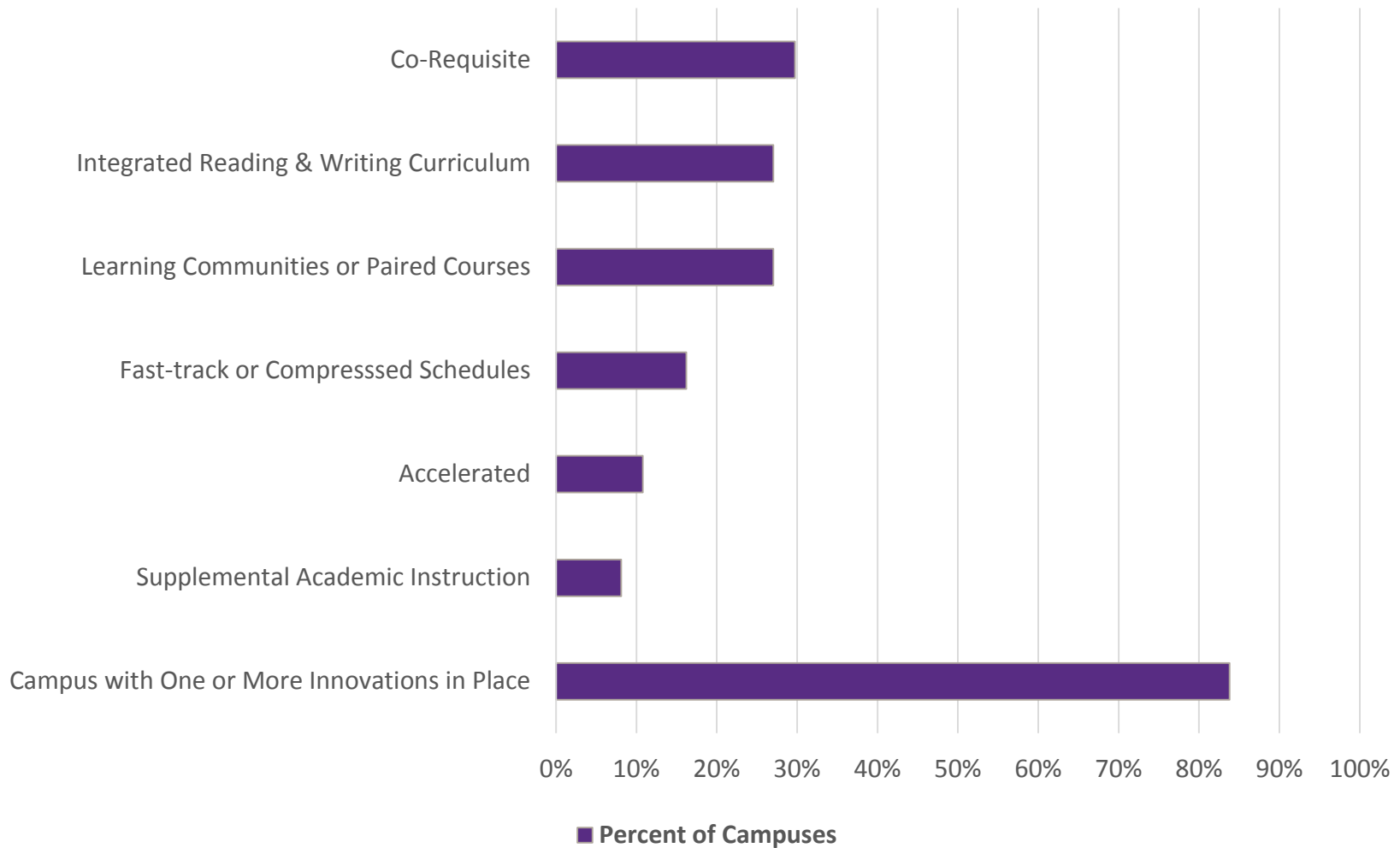
Development education is consistently a focal point in campus strategic planning



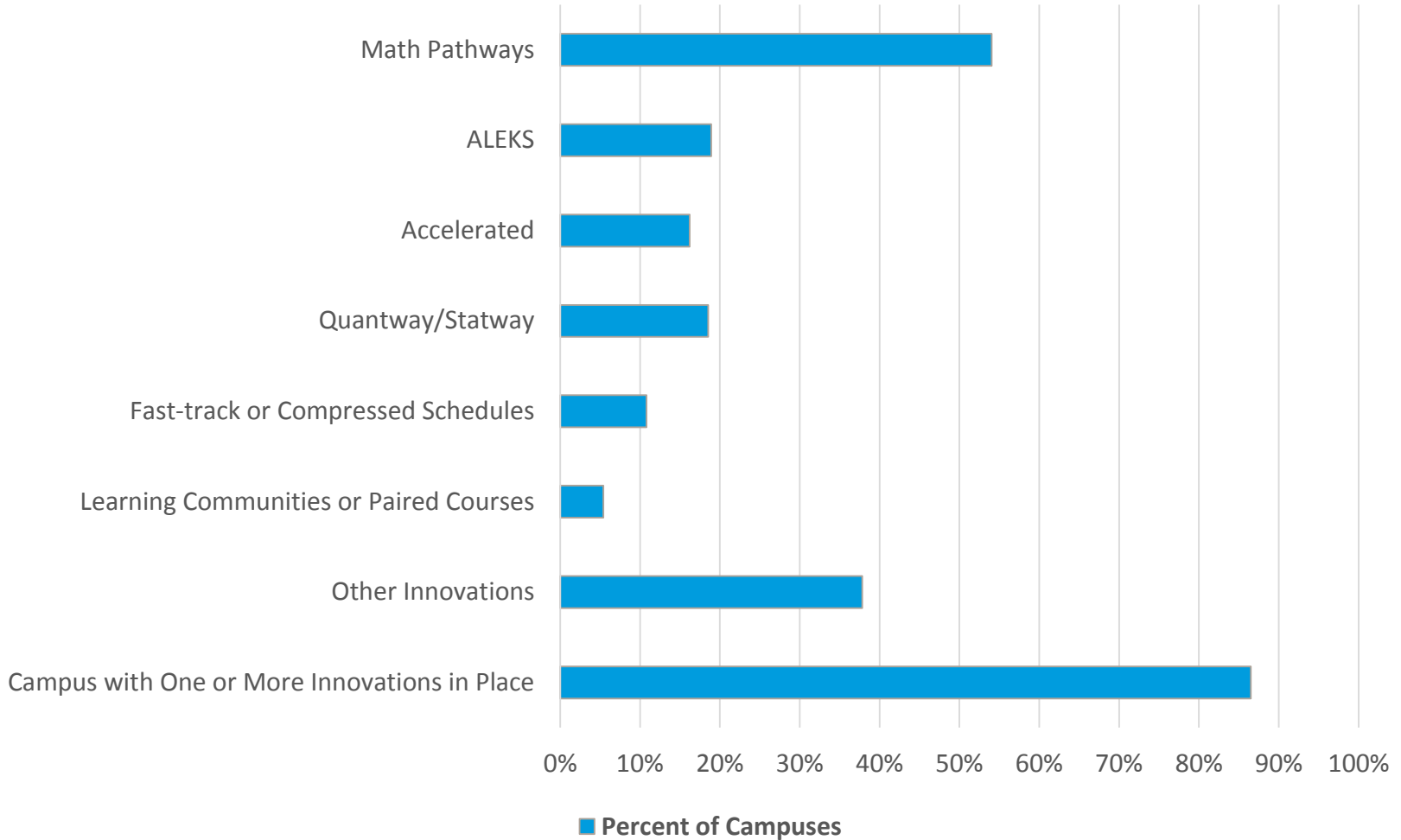
Campus innovations in developmental reading take a number of forms



Campus innovations in developmental writing take a number of forms



Campus innovations in developmental mathematics take a number of forms



Campus innovations in academic support strategies take a number of forms

- Early alert systems
- Intensive academic advising
- Academic support provided by Academic Learning Centers and Student Support Centers
- Peer and professional tutoring

We are collaboratively addressing interrelated issues surrounding developmental education

- Defining common student learner outcomes
- Transfer of developmental courses
- Cost
- Time

We are continuing to innovate in curriculum, and in our work with K-12 partners to better prepare high school students for post-secondary education

- 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



MINNESOTA STATE

Finance/Facilities Committee Study Session

October 18, 2016

11:30 A.M.

McCormick Room

20 7th Street East

Saint, Paul, MN

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.

Study Session: Jay Cowles, Chair

- Facilities Design, Construction, and Operation Practices (pp. 1-47)

Bolded items indicate action is required.



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

Name: Finance and Facilities Committee

Date: October 18, 2016

Title: Finance Committee Study Session: Facilities Design, Construction and Operations Practices

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:

The committee will receive an overview of system facilities both owned and leased and how they are managed and operated. Staff will make a brief presentation then invite the committee to provide feedback and input on a series of discussion questions,

Scheduled Presenter(s):

Laura M. King, Vice Chancellor – CFO
Brian Yolitz, Associate Vice Chancellor for Facilities



October 18, 2016
Finance Division

Study Session:

Minnesota State Facilities

Finance and Facilities Committee

Purpose

Provide the Board of Trustees an overview and assessment of the system's physical space and management practices.

Foster board discussion on governance and strategic aspects of the system's physical space and management practices.

Presentation Outline

Minnesota State's built environment

Facilities portfolio:

- Planning and program development
- Project design and construction
- Management and operations

AVC assessment

Board discussion



Minnesota State physical space



- Access
- Recruitment and retention
- Variety
- Assets
- Liabilities



Planning and financial programming

Strategic Framework throughout Comprehensive Facility Planning Programming

- Academic needs: Capital bonding
- Auxiliary: Revenue Fund

5



Design and construction

State statute and rule driven

- Life cycle cost and sustainability

Delegated execution

- Program vs project management

Tools and resources

- Design standards
- e-Manual and e-Builder
- Specialty consultants and commissioning

6



Management and operations

Managed for academic mission

- Utilized below goals and potential

Energy management

- Consumption, cost, carbon impact improvements

Operated in a complex regulatory environment

- Regulatory partnerships and staff training

Campus staff shrinking and aging

7



Assessment – the plant

Campus facilities key assets

- Community, region, system, state

System has enough space

- Alignment – regional and programmatic
- Utilization

Space is aging faster than preservation funding

Maintenance and operations must be robust

8



Assessment - management

Highly regarded planning process

- Opportunities in multi-campus planning

Complex regulatory environment

Centralized vs decentralized balance

Potential:

- Operations management framework
- Data and decision making

9



Strategic discussion

What more would trustees like to learn to better understand the built environment and management practices?

Are there particular issues trustees have concerning stewardship of system space?

10



Strategic discussion

What issues or concerns do trustees have concerning multi-campus planning across the facilities portfolio?

Are there particular areas or topics that need additional information, reporting, or development?

11



October 18, 2016
Finance Division

Study Session: Minnesota State Facilities Read Ahead Materials

Finance and Facilities Committee

Purpose

Provide the Board of Trustees an overview and assessment of the system's physical space and management practices.

Foster board discussion on governance aspects of the system's physical space and management practices.

13



Outline

Topics:

- **Minnesota State's built environment**
- **Planning and program development**
- **Project design and construction**
- **Management and operations**

Format:

- *Governance framework*
- *Management practices and data*
- *AVC assessment: strengths and opportunities*
- *Board discussion questions*

14



System organization and operation

Created in state statute

- Board holds assets on behalf of the state of Minnesota
- Title holder

Board expectations

- Long-term planning
- Asset preservation
- Facilities plans based on academic plans
- Safe and secure operations



MINNESOTA STATE

*Access, extraordinary education
Partner of choice
Best value, affordable option*

15



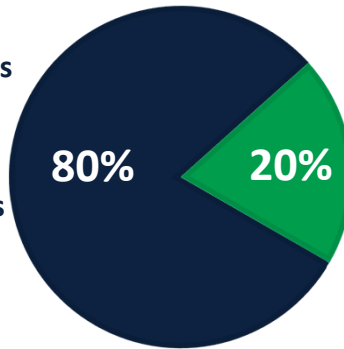
Minnesota State: The Built Environment



Campus facility components

Academic spaces:

- 2,250 Classrooms
- 1,625 Labs
- Offices
- Plant Operations



Revenue Fund:

- 66 Residence Halls
 - 12,709 Beds
- 6 Dining Facilities
- 9 Student Unions
- 5 Parking Ramps/Lots

■ Academic - General Fund ■ Revenue Fund - Auxiliary

17

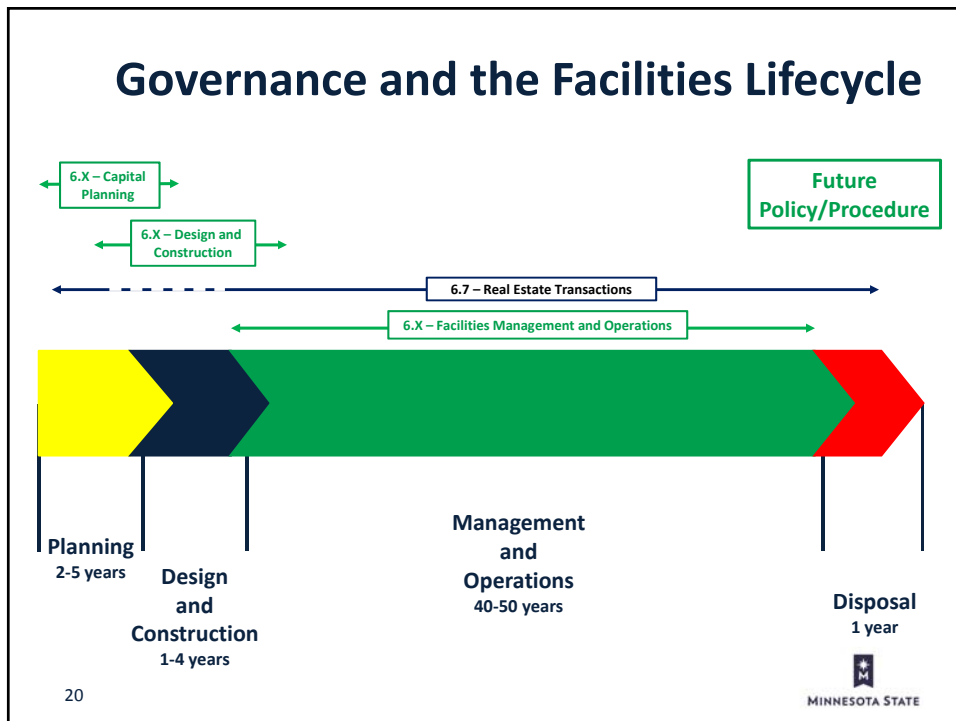
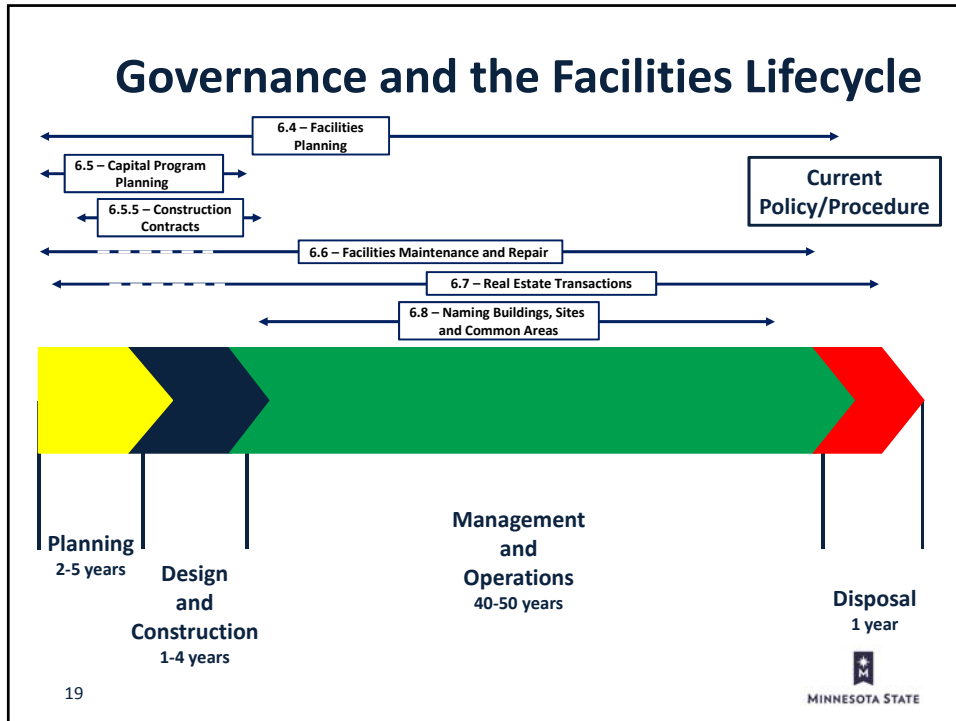


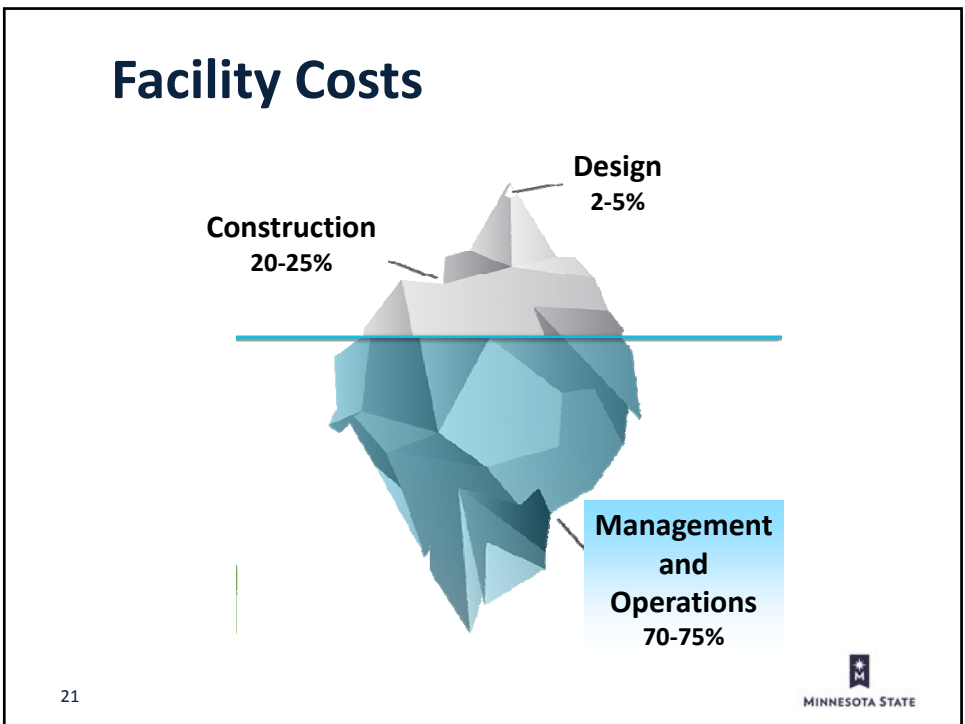
Basic Facilities Lifecycle



18







Facility Funding

Funding avenue	Cost or investment	Type of Facility	Notes and considerations
General Operating Fund	Operations, maintenance, small repairs and renovations	Academic	<ul style="list-style-type: none"> Tuition, fees, and state appropriations
General Obligation Bonds	Capital investments, new construction, replacement, major renovation and asset preservation	Academic	<ul style="list-style-type: none"> State bond sales Responsible for 1/3 debt Tuition and state appropriations
Revenue Fund operating / reserves	Operations, maintenance, small repairs and renovations, contributions to capital projects	Auxiliary	<ul style="list-style-type: none"> Fees and service charges
Revenue Fund Bonds	Capital investments, new construction, replacement, major renovation and asset preservation	Auxiliary	<ul style="list-style-type: none"> System bond sales Full debt responsibility Fees and service charges
Other Sources	Capital investments, new construction, replacement, renovation	Depends	<ul style="list-style-type: none"> Donations Grants Local taxes

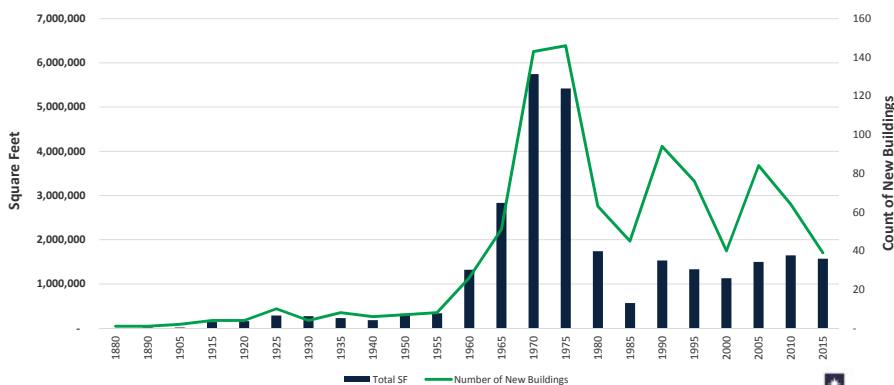
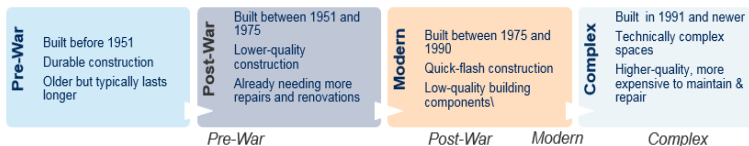
Roles and Responsibilities

Role / Position	Responsibilities
Board of Trustees	<ul style="list-style-type: none"> • Strategic direction and intent • Capital program approval and oversight • Contract approval >\$1M
Chancellor – system office	<ul style="list-style-type: none"> • Program management • Subject matter expertise, coaching and mentoring • Procedures, guidelines, standards • Contract approval: <\$1M
Presidents – CFO and facilities	<ul style="list-style-type: none"> • Project management, execution and delivery • Scope, budget, and schedule • Approvals • Contract approval: <ul style="list-style-type: none"> - Professional technical: <\$100K - Construction: <\$250K

23

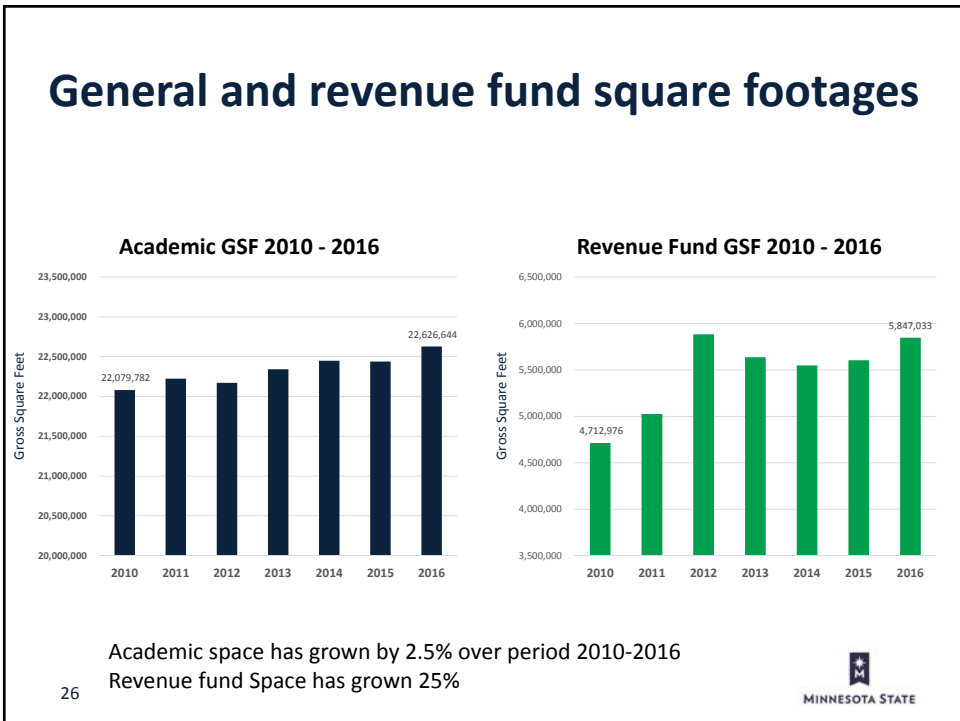
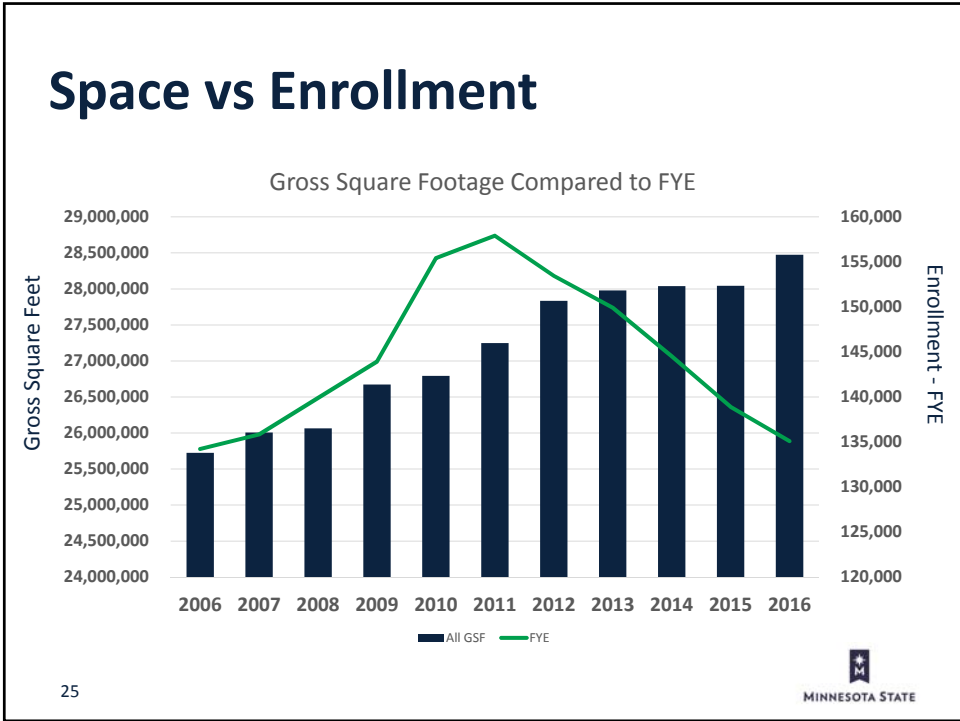


Middle Aged Buildings



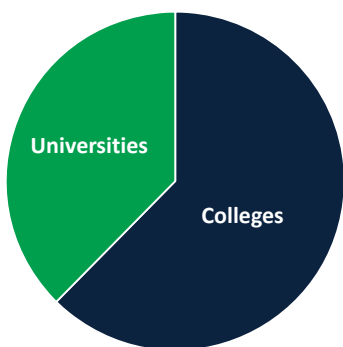
24 Source: Sightlines, FY2016



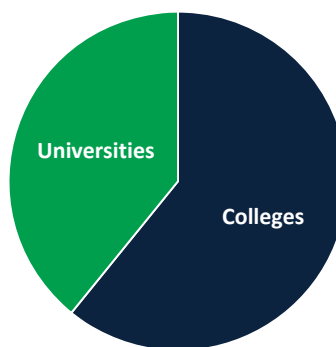


Academic Alignment – Sector

Sector Academic Space



Sector FYE



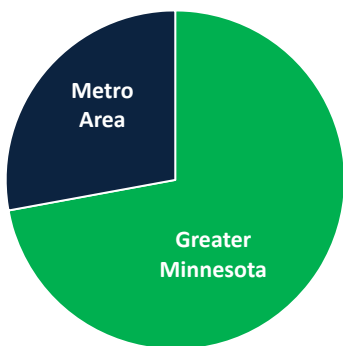
Source: Space – 2016 FRRM / FYE – FP&A – Actual FY2016

27

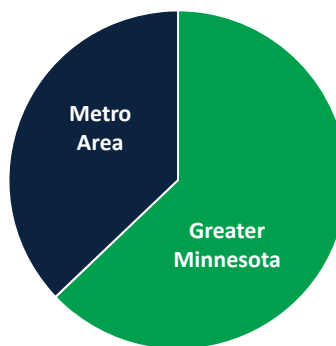


Academic Alignment – Regional All

Regional Academic Space



Regional FYE



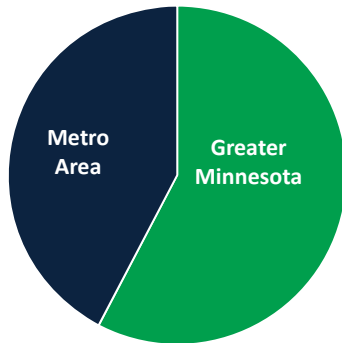
Source: Space – 2016 FRRM / FYE – FP&A – Actual FY2016

28

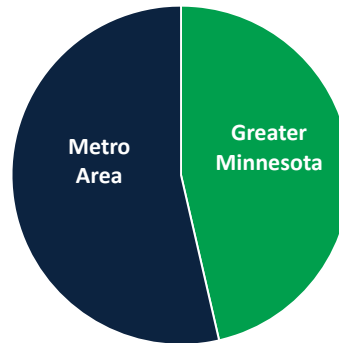


Academic Alignment – Colleges

Regional Academic Space



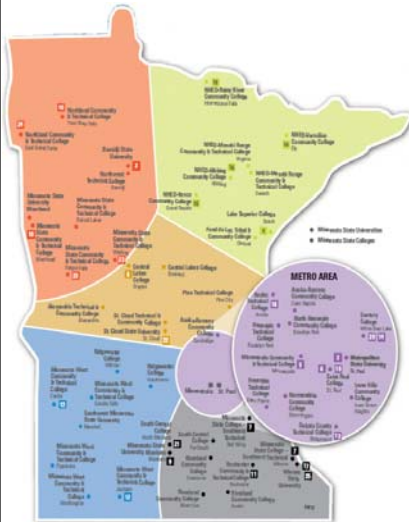
Regional College FYE



Source: Space – 2016 FRRM / FYE – FP&A – Actual FY2016



Regional Students and Space




Overall Space and FYE Profile			
	System	Metro	Greater Minnesota
FYE	135,089	50,157	84,933
		37%	63%
Academic Sq Ft (000)	22,632	6,323	16,111
		27.9%	72.1%
Space/ FYE	168	126	192
Utilization	49.4%	52.6%	47.8%

Regional Space and FYE Profile (excluding Metro Area)					
	Northwest	Northeast	Central	Southwest	Southeast
FYE	16,798	8,069	20,641	8,308	31,117
	12%	6%	15%	6%	23%
Academic Sq Ft (000)	3,437	1,697	3,984	2,053	5,136
	15.2%	7.5%	17.6%	9.1%	22.7%
Space/ FYE	205	210	193	247	165
Utilization	42.9%	42.0%	52.7%	37.0%	53.9%

Sources: FY2016 Enrollment (FYE), space (FRRM), Utilization (Fall 2015/Spring 2016 Terms) blended





Buildings are a \$9.3 billion asset

All Space (Sq. ft.)	28.5 million
General fund space (sq. ft.):	22.6 million
Revenue fund space (sq. ft.)	5.8 million
Current replacement value (CRV):	\$9.3 billion
Backlog/deferred maintenance:	\$909 million
Facilities Condition Index	0.10
Renewal (10 year):	\$1.2 billion
10 – year need	\$2.1 billion

21 Source: 2016 Official Summary of the System, Sightlines Capital Renewal, 2016

Facility Leasing

As Tenant:

- Advance academic and specialty programs
- Classrooms, welding labs, hockey arenas
- Totals: 81 lease agreements
 - 1.4 million square feet of buildings,
 - 564,500 square feet of land

As Landlord:

- Support complementary programs and regional needs
- DEED/Workforce Centers, ISDs, cell towers
- Totals: 88 lease agreements
 - 194,000 square feet of buildings,
 - 1.6 million square feet of land

32

Questions?

33

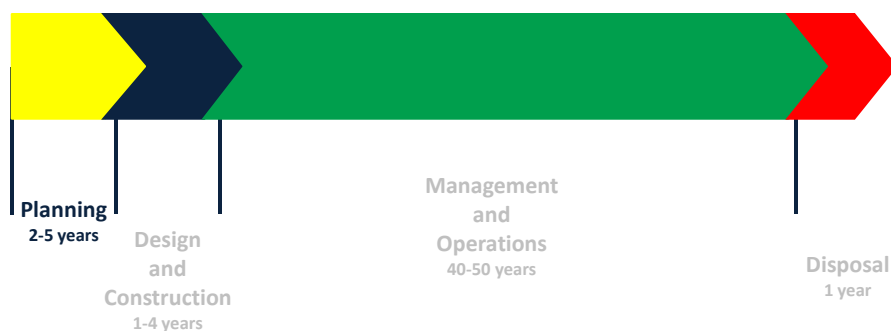


Minnesota State: Planning and programming

34



Basic Facilities Lifecycle



35



Governance: State

MS 136F.06 Powers and Duties.

The board shall possess all powers necessary to govern the state colleges and universities and all related property.

MS 135A.034 Budget Priorities

... criteria in establishing priorities for requests for...capital projects

MS 135A.046 Asset Preservation and Replacement

...establish priorities...provide a list of ... projects for which ...appropriations will be sought...

MS 135F.90 Board of Trustees Duties

... borrow money and issue and sell bonds...

36



Governance: Minnesota State

Policy 6.4, Facilities Planning:

- Master plans, facilities used for mission accomplishment
- Chancellor approvals

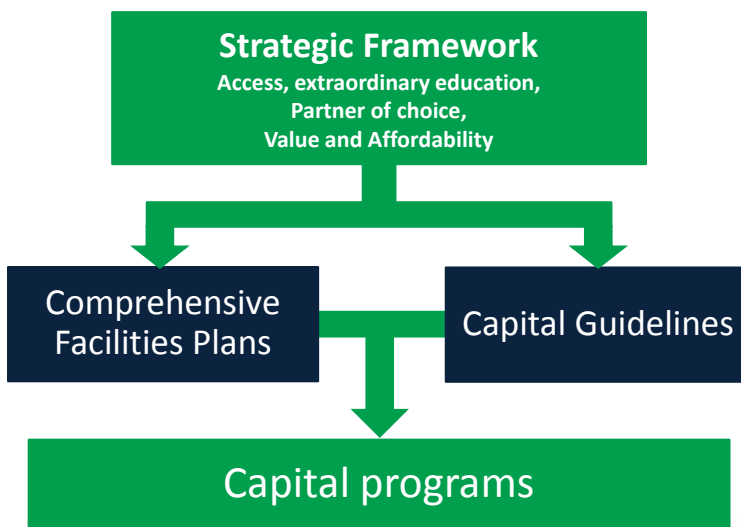
Policy 6.5, Capital Program Planning

- Commitment to long-term stewardship
- Capital budget guidelines and program approval process
- Design and construction standards, long-lived sustainable

37



Informing the process



38



Comprehensive Facilities Plans

Product:

- Assessment of facilities support of academic programming and campus mission, Strategic Framework
- Documents short- and mid-long range capital plans

Process:

- 5 year cycle, 9-12 month process
- Consultant facilitated
- Campus and community discussions
- Vice Chancellor approved



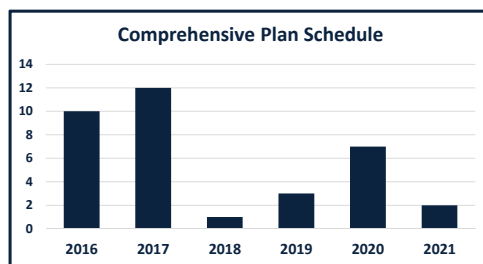
39



Comprehensive Facilities Plans

Status:

- Combined \$2 billion in major facility upgrades
- Accommodating college and university leadership change driving larger than normal update schedule



40



Project Programming

	Capital Bonding	Revenue Fund Bonds
Purpose	Academic facilities	Dormitories, unions, dining, parking or others
Funding approval	<ul style="list-style-type: none"> • Board prioritizes • Legislature/governor approve 	Board approves
Debt Responsibility	1/3 debt	Full debt, NTE \$405M
Debt payment source	Tuition and state appropriations	User fees
Total/Annual Debt Service	\$239M / \$31.6M	\$313M / \$26.3M

41



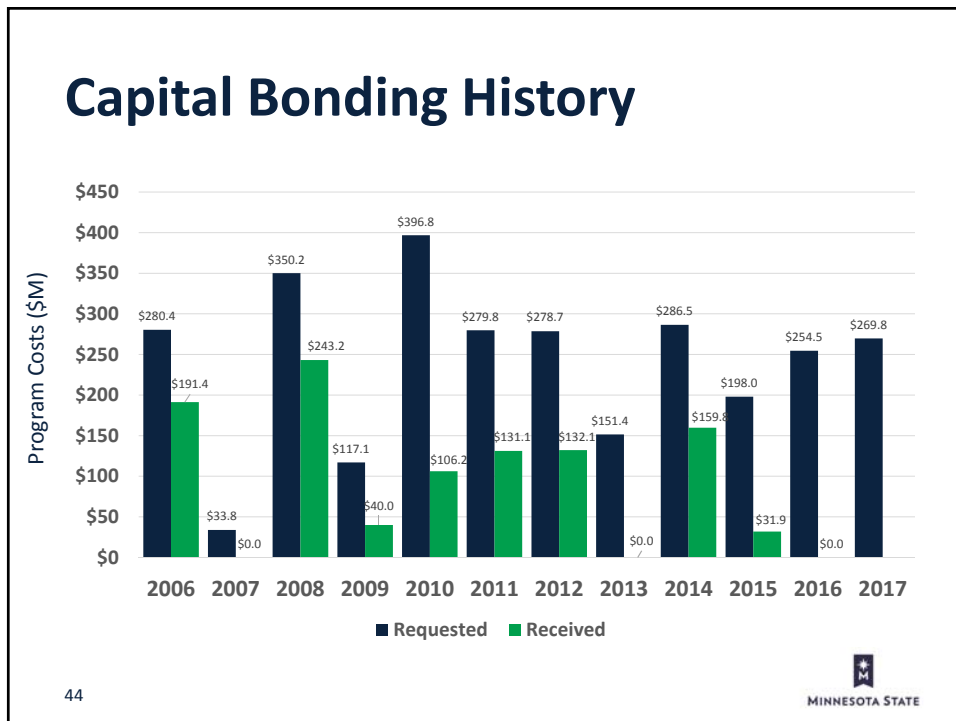
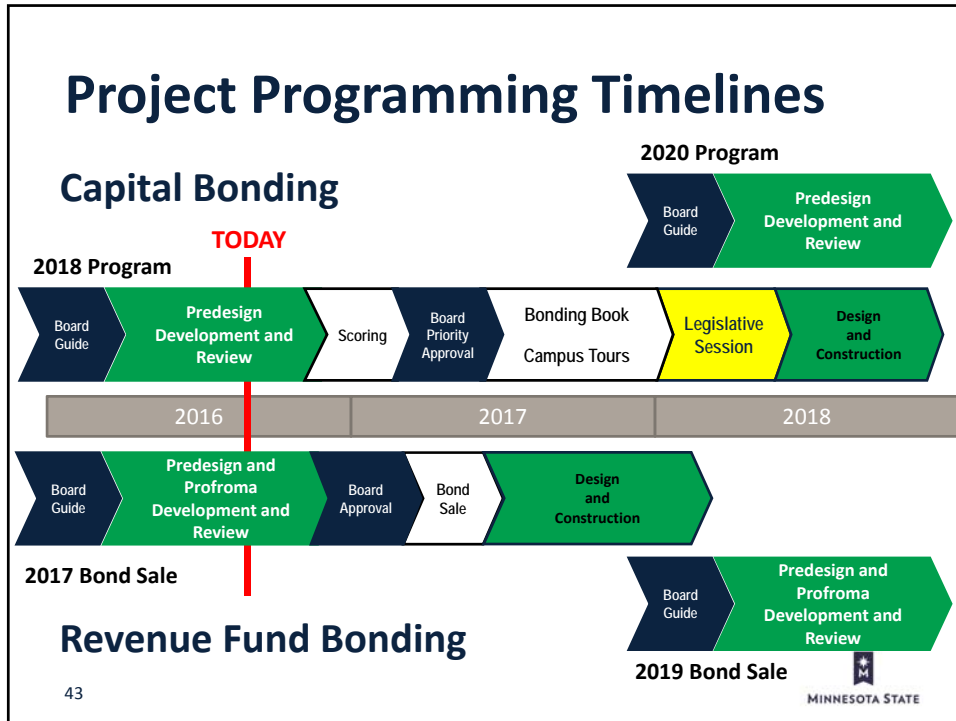
Project Programming

General process:

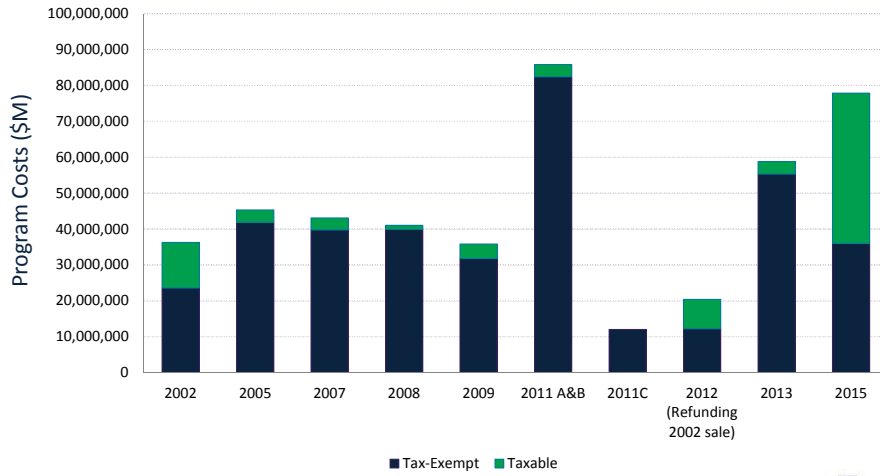
- Board guidelines
- Project predesign development and review
- Leadership Council
- Board approval

42





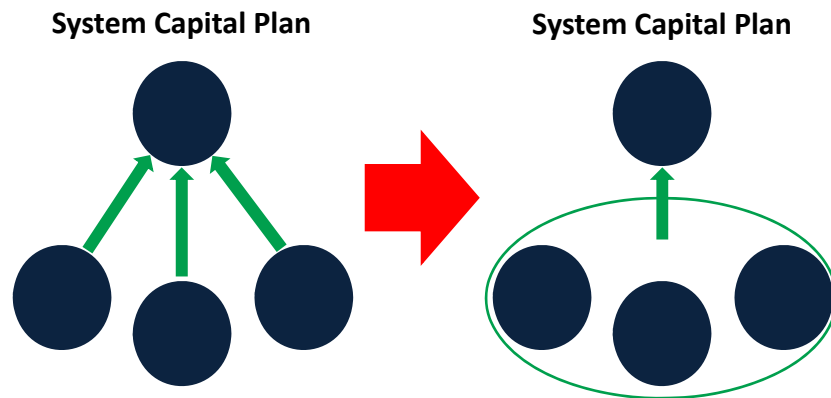
Revenue Fund Bonding History



45



Capital planning opportunity



46



Assessment – Planning and Programming

Strengths:

- Comprehensive Planning process and guidelines
- Requirements validation and integration process
- Highly regarded by legislature and executive branch

Opportunities:

- Data, information and knowledge
- Forecasting
- Horizontal planning

Recommendations:

- Policy, 6.9, *Capital Planning*
- Refine data, forecasting, and horizontal planning

47



Policy Questions

- Does the governance and policy construct provide sufficient strategic direction, guidance and oversight of facilities planning and programming?
- Do policies provide sufficient reporting to ensure protection of the interests of students and Minnesota taxpayers?
- Are there areas that need additional information, reporting, or development?

48

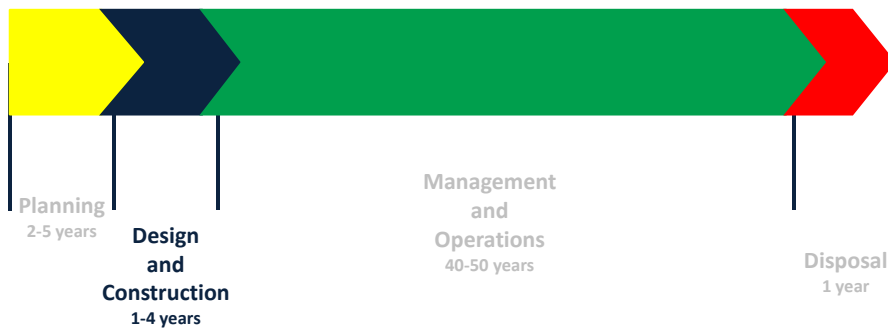


Minnesota State: Facilities design and construction

49



Basic Facilities Lifecycle



50



Governance elements

State of Minnesota

- MS 16A – *Department of Management and Budget*
- MS 16B – *Department of Administration*
- MS 16C – *State Procurement*
- MS 136F – *Minnesota State Colleges and Universities*
- MS 471.345 – *Uniform Municipal Contract Law*
- Multiple Others

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System Governance Elements

Policy 5.14 *Contracts and Procurement.*

Procedure 5.14.2 Consultant, Professional or Technical Services and Income Contracts

Policy 6.5 *Capital Program Planning*

Procedure 6.5.5 Facilities Construction Contracts

52



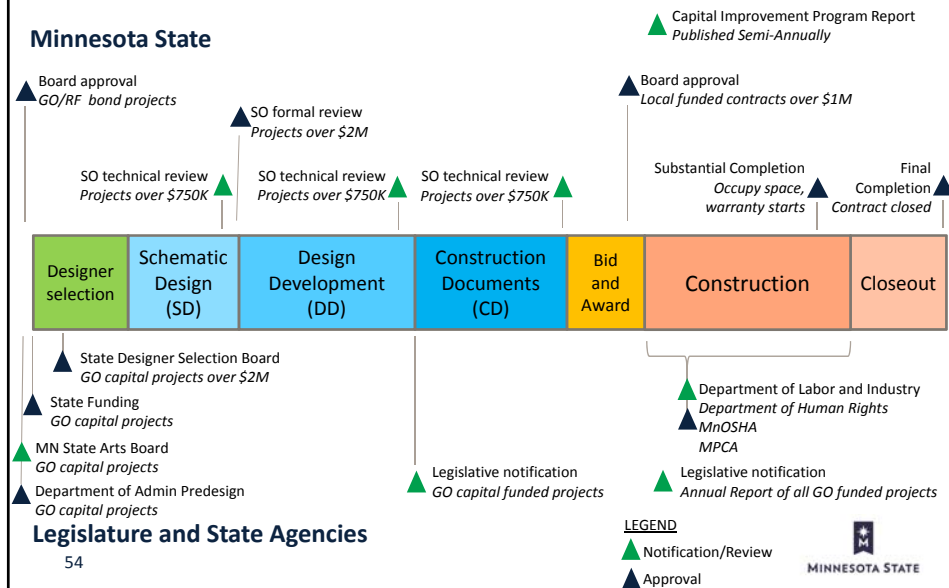
Design and Construction

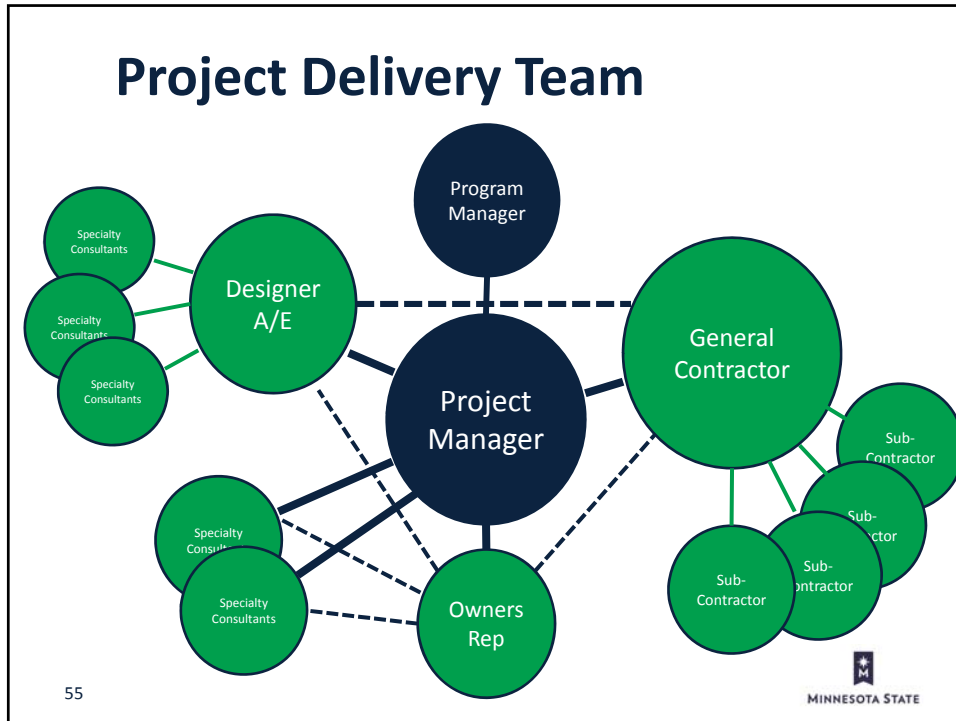
Role / Position	Responsibilities
Board of Trustees	<ul style="list-style-type: none"> • Strategic direction and intent • Capital program approval and oversight • Contract approval >\$1M
Chancellor – system office	<ul style="list-style-type: none"> • Program management • Subject matter expertise, coaching and mentoring • Procedures, guidelines, standards • Contract approval: <\$1M
Presidents – CFO and facilities	<ul style="list-style-type: none"> • Project management, execution and delivery • Scope, budget, and schedule • Approvals • Contract approval: <ul style="list-style-type: none"> - Professional technical: <\$100K - Construction: <\$250K

53



Project Phases and Oversight



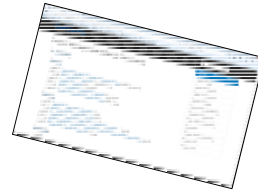


- ## Resources and Tools
- ### Design Standards
- Hybrid of prescriptive and performance specifications
 - State regulatory requirements
 - B3 – Buildings, benchmarks and beyond
 - SB2030 – Sustainability Buildings – 2030
 - State building code
 - Industry best practices
 - AIA – American Institute of Architects
 - Feedback and lessons learned
 - Consultants and contractors
 - Colleges and universities
- The number 56 is in the bottom left, and the Minnesota State logo is in the bottom right.

Resources and Tools

E-Manual

- Standardized project procedures and checklists
- Document library
 - Contracts: AIA and customized items
 - Forms
 - Instructions
 - Construction terms and conditions



E-Builder

- Cloud based, enterprise project management system
- Compliant workflows
- Integrated with project financials and payments
- Project documentation and retention



57



Resources and Tools

Training and Review

- Project Manager training Webinars
- Calls and conferences
- Program Managers
- Program Management Review – CIP Report

58



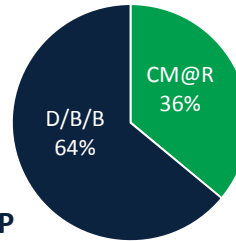
Principles and Practices

Principles

- Delegated project and contract authorities
- Design and build long-lived facilities
- Solicitation based on project costs
- Professional/Technical Master Contracts

Project Delivery Methods

- Design-Bid-Build – D/B/B
- Construction Manager at Risk - CM@R
- Guaranteed energy Saving Program - GESP



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Professional Technical (PT) Selection

Contract Amount	Selection Process	Approval
Under \$50K	<ul style="list-style-type: none"> • Public RFP • 2 Quotes • Facilities PT MC 	President
\$50K-\$100K	<ul style="list-style-type: none"> • Public RFP • Facilities PT MC 	President
Over \$100K	<ul style="list-style-type: none"> • Public RFP (includes SDSB) 	Chancellor or Board*

* Board Approval is required for all contracts over \$1M

60



Construction Contractor Selection

Contract Amount	Selection Process	Approval
Under \$50K	<ul style="list-style-type: none"> • Public RFB • 2 Quotes 	President
\$50K-\$250K	<ul style="list-style-type: none"> • Public RFB 	President
Over \$250K	<ul style="list-style-type: none"> • D/B/B: Public RFB • CM@r: Public RFQ, followed by RFP 	Chancellor or Board*

* Board Approval is required for all contracts over \$1M

61



Design and Construction Partners

Design Consultants

Bentz, Thompson, Rietow, Inc.
 LHB Architects and Engineers
 HGA Architects and Engineers
 Rafferty, Rafferty, Tollefson,
 Lindeke Architects
 Miller Dunwiddie
 Leo A. Daly
 BWBR Architects

General Contractors

M. A. Mortenson Company
 Adolfson & Peterson (A&P)
 Construction
 McGough Construction
 Met-Con Companies
 Terra Construction
 Donlar Construction
 Kraus Anderson

62



Assessment – Design and Construction

Strengths:

- Design standards
- E-Manual/E-Builder
- Program manager support and oversight

Opportunities:

- Utilizing Building Information Modeling - BIM
- Refining commissioning, closeout, and warranty processes
- Enhancement of small business/targeted group management

Recommendations:

- Policy 6.10, Design and Construction
- Department of Administration Disparities Study

63



Policy questions considerations

- Does the governance and policy construct provide sufficient strategic direction, guidance and oversight of facilities planning and programming?
- Do policies provide sufficient reporting to ensure protection of the interests of students and Minnesota taxpayers?
- Are there areas that need additional information, reporting, or development?

64



Minnesota State: Facilities management and operations

65



Basic Facilities Lifecycle



66



Governance: State

MS 136F.05 MISSIONS.

... The board shall develop administrative arrangements that make possible the efficient use of the facilities and staff of the technical colleges, community colleges, and state universities...

67



Governance: Minnesota State

Policy 6.4, Facilities Planning:

...facilities of state colleges and universities are to be used primarily for purposes of fulfilling the college's or university's missions of teaching, research, and public service.

The president of each college and university is responsible for assuring appropriate use of all facilities and grounds on their campuses.

68



Measuring Space Utilization

Classroom and Lab Utilization

- Based on assessing scheduled room use: YES/NO
 - Does not account for numbers of seats/positions filled
- Academic (for-credit) use: 100% = 32 hours per week
 - 32 hours per week / 5 days per week = 6.4 hours per day
 - Currently part of system performance metrics

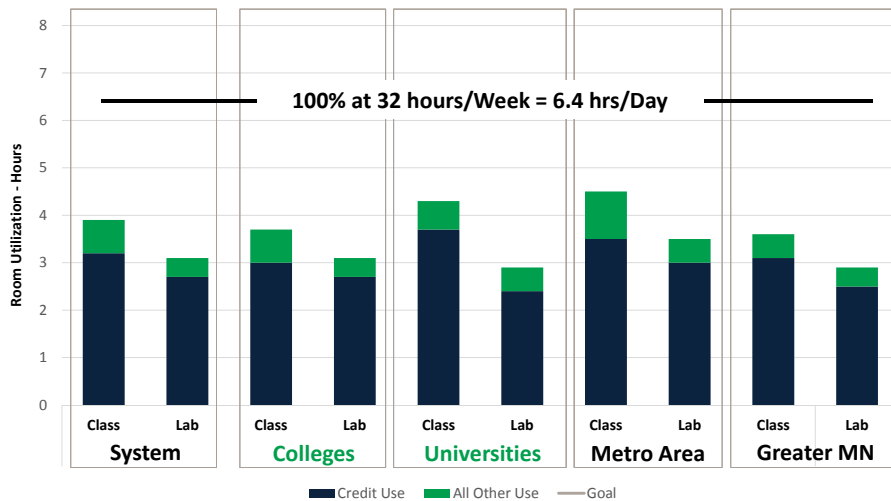
Seat Utilization

- Currently observed only
- Not a part of any performance metric

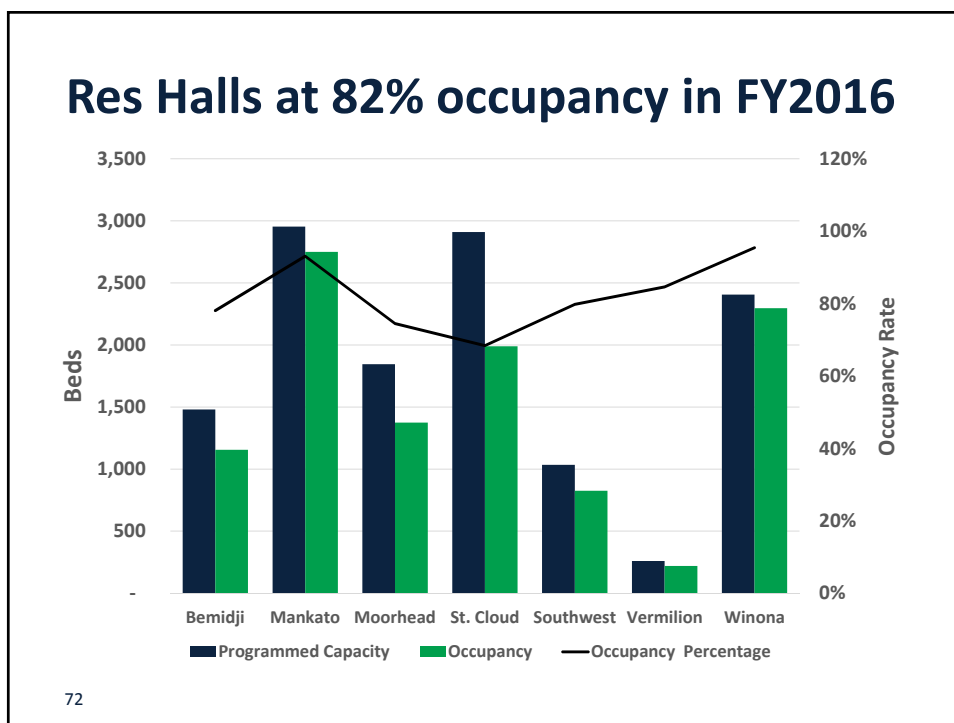
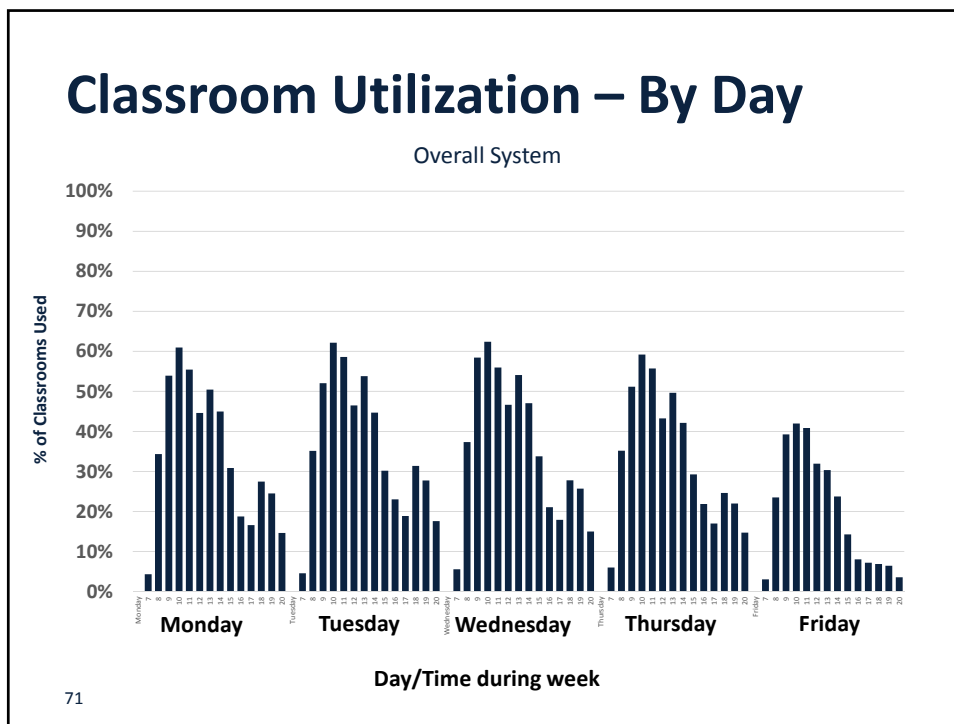
69

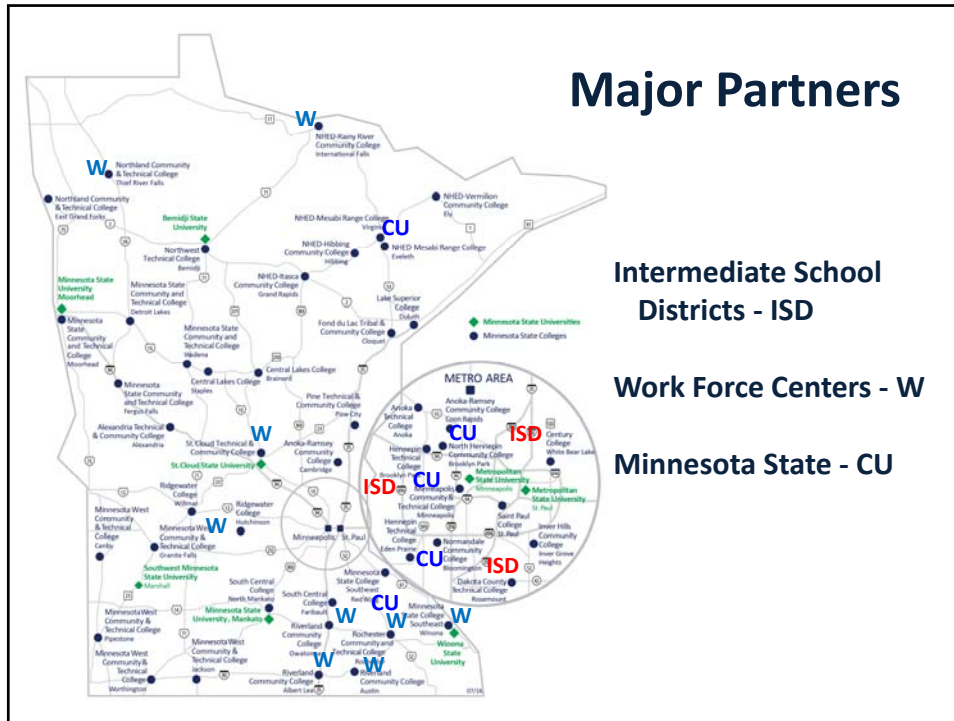


Room Utilization – ‘Typical Day’



70

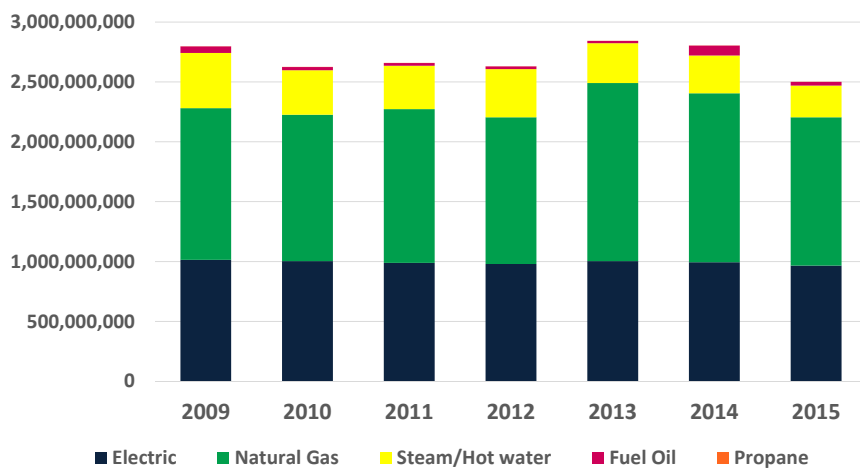




Facilities Dashboards / Metrics

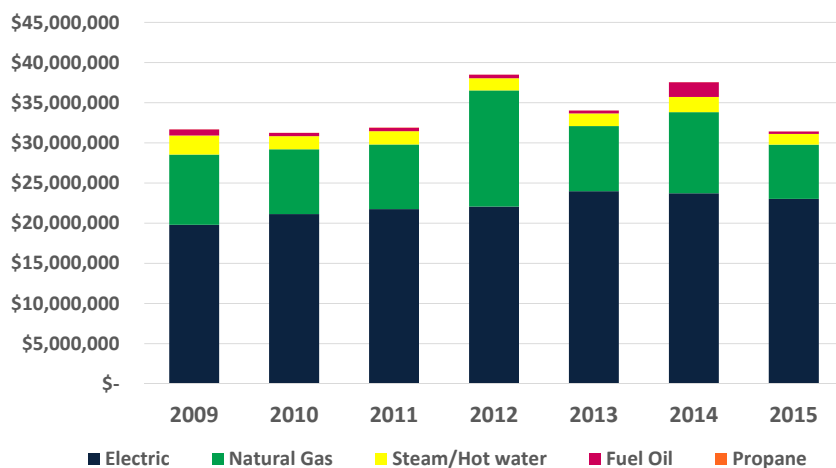
APPA – Educational Facilities	EAB – Educational Advisory Board
5 Levels: Showpiece → Crisis Response	Dashboard – Facilities Effectiveness
Customer Service and Response Time	Operational Effectiveness
Customer Satisfaction	Customer Service
Preventative vs Corrective Maintenance	Energy efficiency
Maintenance Mix – Preventative, reactive, and emergency	Workforce improvement
Regularly compliance	Fiscal responsibility
Aesthetics, interior, exterior, lighting	Sustainability
Service efficiency	
System's reliability	
Sustainability	
Facility Maintenance Operating Budget as % of CRV	

Total Energy Consumption

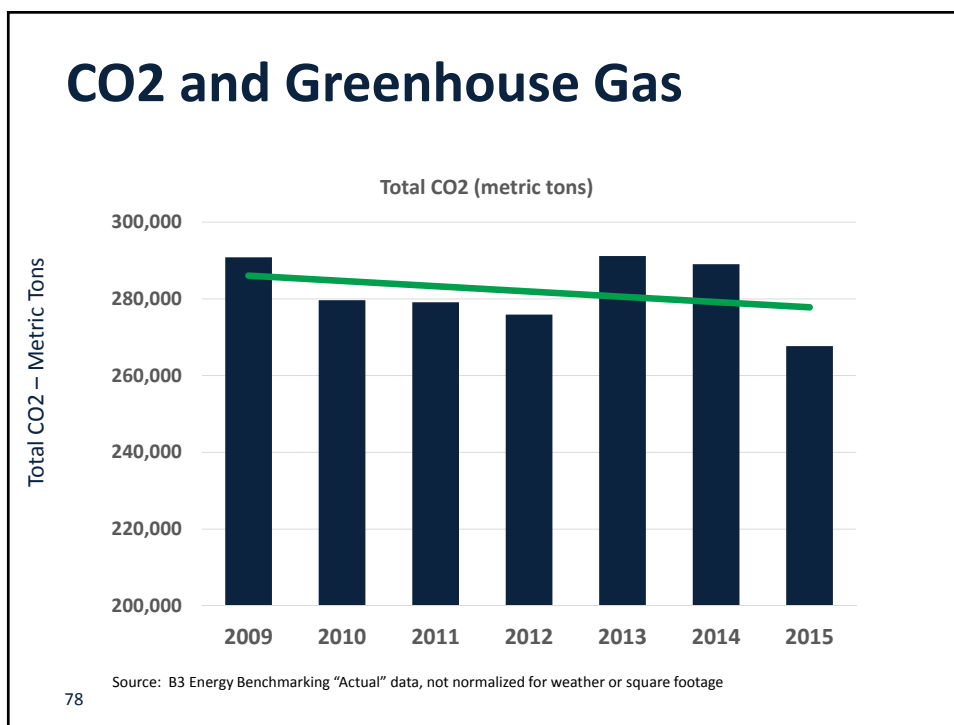
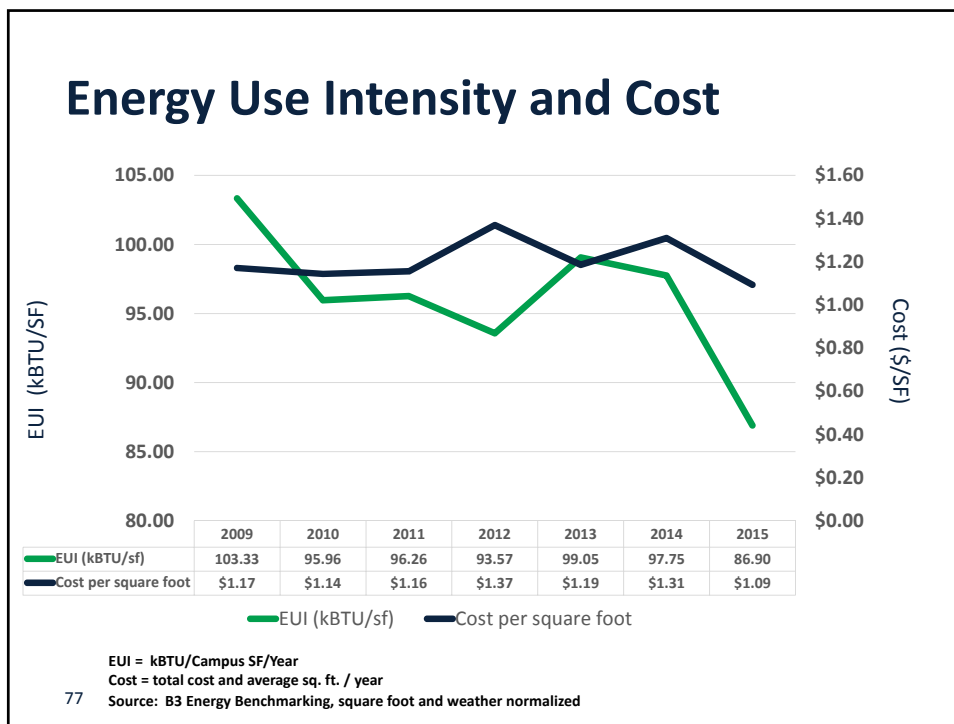


75 Source: B3 Energy Benchmarking "Actual" consumption data, not normalized for weather or square footage

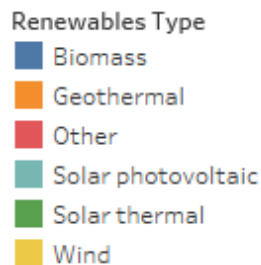
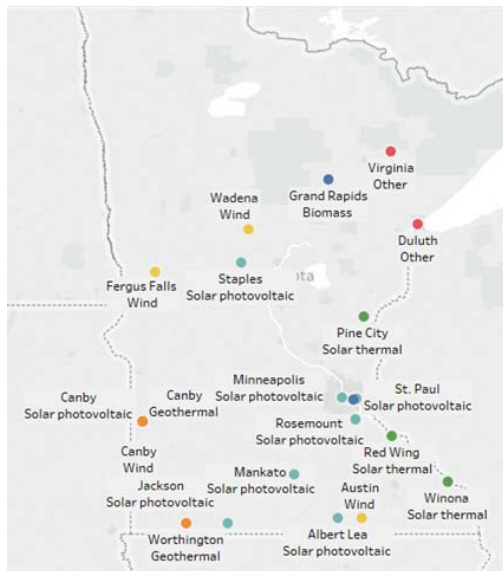
Total Energy Cost



76 Source: B3 Energy Benchmarking "Actual" data, not normalized for weather or square footage



Renewable Energy Applications



79



Operational Compliance

Federal

- CFR 1910, *Occupational Safety and Health Standards*
- CFR 1926, *Safety and Health Regulations for Construction*
- CFR 1904, *Recordkeeping*

State

Permits and Licensing

80

Operational Compliance

Federal

State

- Minnesota Occupational Safety and Health (MnOSHA)
- Minnesota Pollution Control Agency (MPCA)
- Minnesota Department of Health
- Minnesota Department of Public Safety-Fire Marshal Division

Permits and Licensing

81

Governance: Minnesota State

Policy 5.24, *Safety and Compliance:*

...committed to creating and maintaining safe and secure environments...

...each college and university and the system office ... promote safety and security of individuals and system property.

82



Compliance Best Practices

Minnesota State – MnOSHA Alliance

- Consultation visits
- Curriculum and resources
- Outreach and communications

2015 Scorecard

- 22 visits, 18 campuses.
- Issues identified: 556
 - Multiple campus issues: 86
- Fine avoidance: \$1.0M – \$3.9 million

83



Facility operator concerns

Top 5 Current Issues

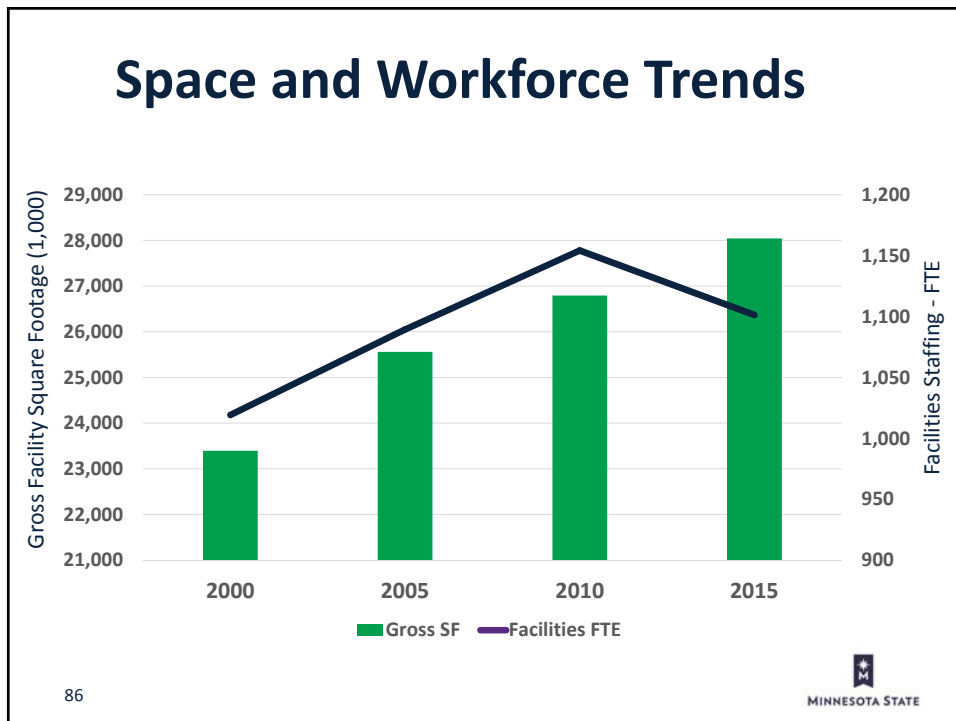
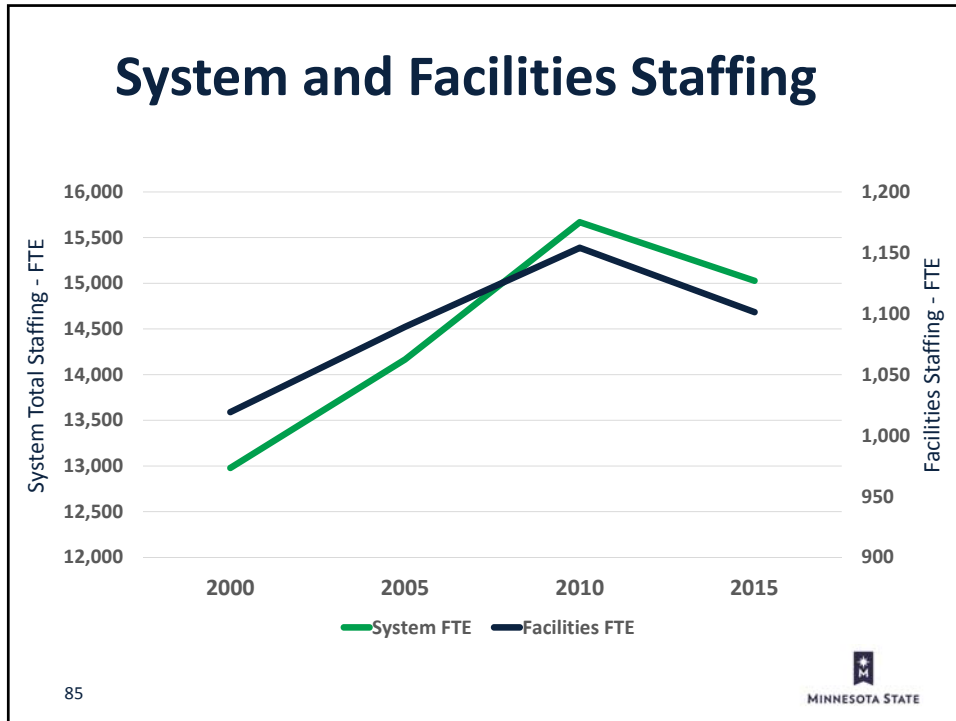
- Finding Qualified Staff
- State Funding
- Trends, Codes, Compliance, Tech.
- Managing / Supervising Complexity
- Training Staff

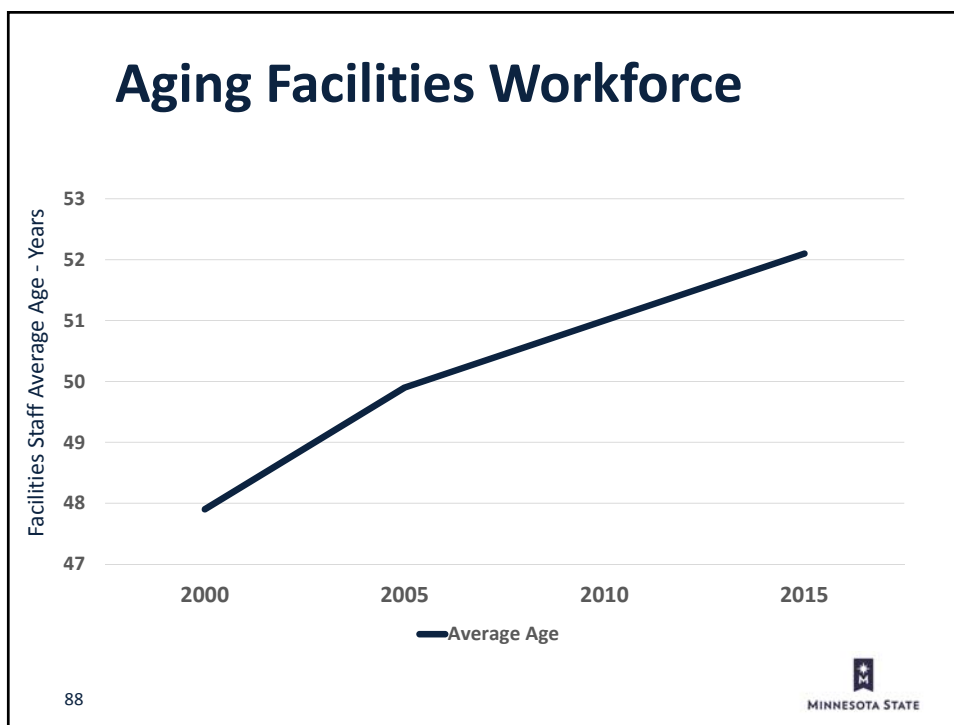
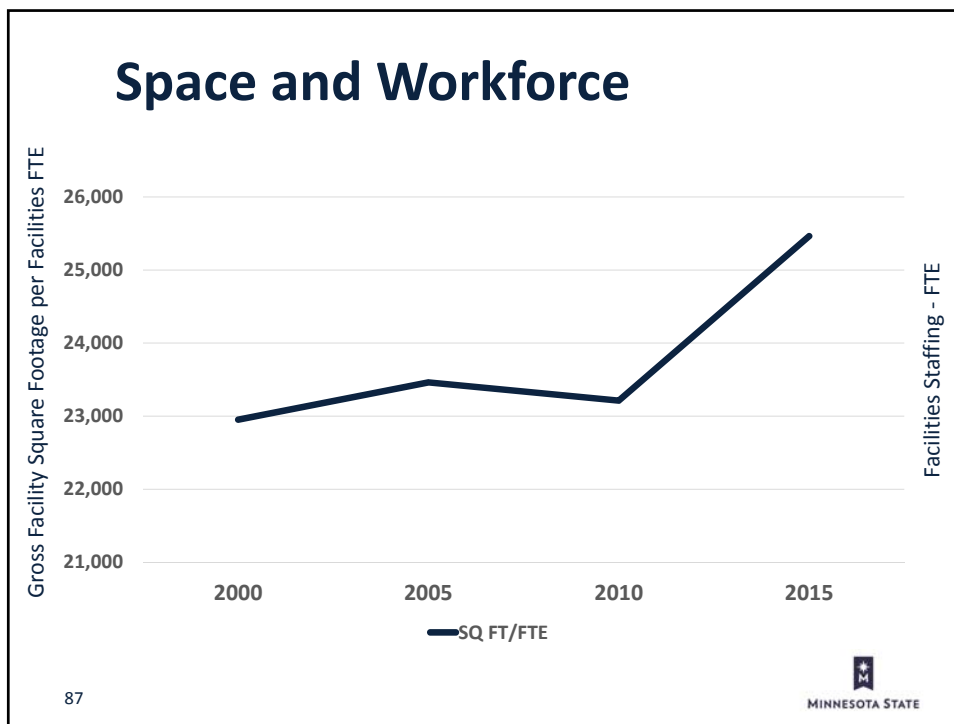
Top 5 Future Issues

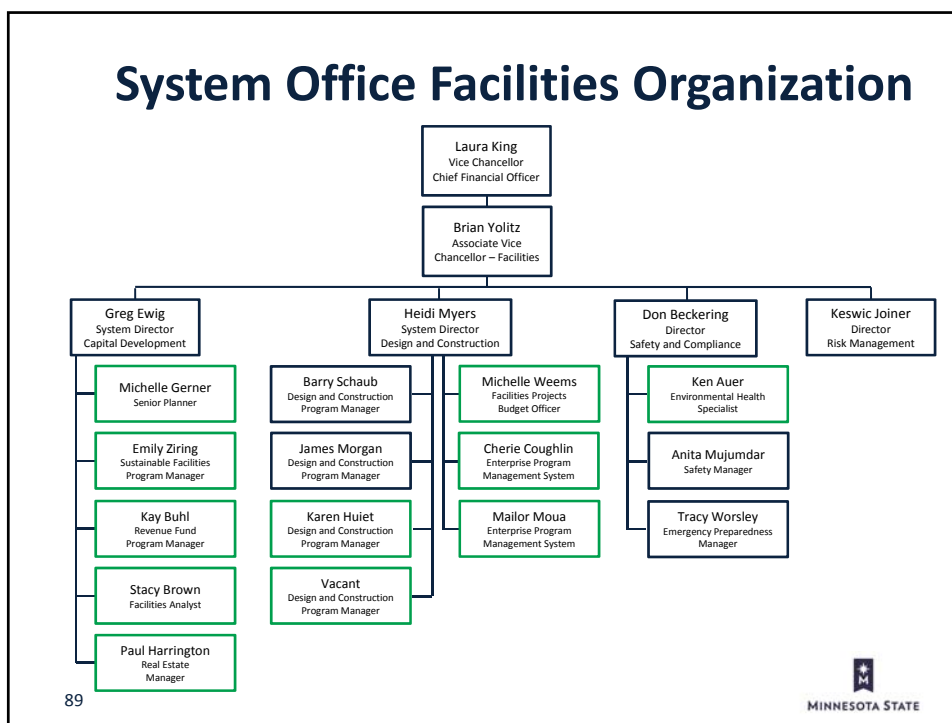
- Finding Qualified Staffing / Training
- Budget
- Aging Facilities
- Certifications / Steam Ops / Boiler Licenses
- Trends, Codes, Compliance, Technology

Source: Minnesota Chief Engineers Guild Strategic Plan 2017-2020

84







Assessment – Operations and Management

Strengths:

- Growing use/acceptance of space use data in decision making
- Mature energy management structure
- Compliance programs

Opportunities:

- Scheduling polices and standards
- Guidance and support on facility operations standards and staffing

Recommendations:

- Policy 6.10, *Facilities Management and Operations*

Policy questions considerations

- Does the governance and policy construct provide sufficient strategic direction, guidance and oversight of facilities planning and programming?
- Do policies provide sufficient reporting to ensure protection of the interests of students and Minnesota taxpayers?
- Are there areas that need additional information, reporting, or development?



MINNESOTA STATE

Finance and Facilities Committee

October 18, 2016

1:15 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.

1. **Minutes of the Study Session on Long-Term Financial Sustainability and Minutes on June 21, 2016 (pp. 1-17)**
2. **Proposed Amendment to Policy 5.12 Tuition and Fee Due Dates, Refunds, Withdrawals and Waivers (Second Reading) (pp. 18-28)**
3. ISRS NEXTGen Update (pp. 29-39)
4. Internal Financial Model and Allocation Framework Redesign (First Reading) (pp. 40-91)
5. FY2018-2019 Legislative Operating Budget Proposal Including 2017 Capital Bonding Strategy (First Reading) (pp.92-121)

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 COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES STUDY SESSION
LONG-TERM FINANCIAL SUSTAINABILITY WORKGROUP
JUNE 21, 2016
McCORMICK ROOM
30 7TH STREET EAST
ST. PAUL, MN**

Present: Chair Michael Vekich, Trustees Ann Anaya, Margaret Anderson Kelliher, Duane Benson, Elise Bourdeau, Kelly Charpentier-Berg, Alex Cirillo, Dawn Erlandson, Robert Hoffman, Philip Krinkie, Maleah Otterson, Thomas Renier, Louise Sundin, and Chancellor Steven Rosenstone

Absent: Trustee Erma Vizenor

Presenters:

Steven Rosenstone, Chancellor

Phil Davis, Associate Vice Chancellor and Director of the Campus Service Cooperative

Laura M. King, Vice Chancellor for Finance

Jim Schowalter, former Minnesota Commissioner for Finance and current CEO of MN Council of Healthplans

Convene and Introduction

Chair Vekich convened the study session on the Long-Term Financial Sustainability Workgroup at 10:00 a.m.

Chair Vekich's Introduction

The success of the Minnesota State Colleges and Universities depends in large measure on our fiscal sustainability over time. The board fully appreciates that new revenue is not keeping up with costs, and therefore our ability to succeed is hampered, putting innovation and excellence at risk. The Long-Term Financial Sustainability workgroup was established to study and recommend strategies for long-term financial sustainability, to ensure the colleges' and universities' ability to serve students and communities across the state.

At the retreat last fall, the chancellor's charge to appoint a workgroup was endorsed. The Long-Term Financial Sustainability workgroup was established to study and recommend strategies for long-term financial sustainability to ensure that the colleges and universities can fulfill their mission over the next decade and beyond. The current financial model is not sustainable. If changes are not made, the ability to serve students and communities across the state is at risk. The workgroup notes that the situation is urgent and demands development of strategies that will enable improved services to students, the state, citizens and its communities.

First, the co-chairs of the workgroup will present the group's findings. Jim Schowalter, former Minnesota Commissioner for Finance and current CEO of MN Council of Health Plans, and a

member of the workgroup, will join them. Following that presentation, there will be an opportunity for clarifying questions. After the clarifying questions have been asked, consideration will be given to the recommendations. The board will again consider this work in September, after consultation has been thoroughly accomplished.

Chancellor Rosenstone's Introduction

Chancellor Rosenstone thanked all members of the workgroup, students, faculty and staff and provided the board with an explanation of the breadth and depth of the charge to this group. The workgroup was asked to develop recommendations that are bold, innovative, and transformative. Consultation will take place over the next four months; both formally and informally in order to ascertain opinions on the recommendations.

The recommendations are substantial and call for transformational leadership. The recommendations, if implemented, will have profound implications on the financial strategy of the system going forward, figuring out how the work is done to protect educational excellence, service to students across the state, the system workplan for 2017 and beyond, and development of the FY208-FY2019 biennial budget and legislative requests.

The next steps unfold over a four month consultation period. From July through October there will be informal consultations with bargaining units and student associations. Between August and October, there will be formal consultations at Meet and Confer sessions and meetings with the Minnesota State College Student Association and Students United. Discussions will also take place at the August Leadership Council meeting, with the board at the retreat in September, and there will be a meeting with presidents and cabinet. The vice chancellor - CFO, vice chancellor for human resources, and vice chancellor for academic and student affairs will consult with their colleagues throughout the system. Ultimately, a system work plan will be brought to the Board of Trustees meeting in October of 2016. The situation is urgent, and there must be a path that enables the future health as a system.

Report of the Long-Term Financial Sustainability Workgroup

Associate Vice Chancellor Davis reported that the members of the workgroup came together largely as strangers to each other. There was hard work to make sure all voices were heard and to chronicle differences of opinions about what to recommend. After group learning and analysis of what was learned, the group arrived at a consensus about some bold, creative, even controversial options for the board, the chancellor, and other stakeholders to consider. The eight months spent together represented one of the best examples of a learning community.

The financing model for public higher education in Minnesota and across the nation has broken down. It is not something that can be fixed with incremental changes. Achieving long-term financial sustainability requires systemic change. Without systemic changes to the way colleges and universities operate and deliver education, the financial future is unsustainable.

The workgroup was a diverse representation of the students, faculty, and staff of our colleges and universities, as well as community leaders who brought a wealth of experience and unique

perspectives. Associate Vice Chancellor Davis acknowledged the members present and asked them to stand for recognition.

A powerful charter was drafted by the workgroup early on. It served as a guide and frame to the research. The workgroup spent the first several months consuming information presented by internal and external experts and considering questions about the presentations as a way of developing deeper understanding about the information. All the information is posted on a SharePoint site and will soon be posted to the public website, making it available to all interested parties. Several members of the workgroup commented that the benefits of these thoughtful presentations were amplified when viewing them together, in one place, and thinking about potential solutions from the perspective of an eco-system rather than as discrete strategies that responded to distinct pieces of information.

Associate Vice Chancellor Davis welcomed Mr. Jim Schowalter and asked him to share the lessons learned and the framework provided for the recommendations. Mr. Schowalter stated that the process for groups like this is difficult to get right but this group did a good job. There must always be space for welcoming information even when it's uncomfortable information. There has to be leadership that allows for different thinking. The workgroup always felt like the opportunity to think differently was afforded. There was an opportunity given to step back and look at the bigger picture rather than just the incremental information. The long term trends are evident in the data when viewed in whole.

It all boils down to who is being served. In healthcare, there are lots of changes happening in the delivery system. This is also a common element in higher education. The recommendations were packaged in a way that raises the question of how to approach long-term financial sustainability in order to ensure students success. The team was thoughtful about recognizing things that have higher value than others, and things that have longer lead times.

Vice Chancellor King provided a roll-up of the research that was collected and its conclusions. Whether optimistic or conservative assumptions are used, the system's financial outlook hits a deficit within a year. The size of the deficit depends on assumptions about enrollment growth and operating cost inflation. This deficit is built into the revenue and expense structure. In general terms, there needs to be an increase in enrollment up to 6.3% per year to close the deficit, or an annual tuition increase of up to 7.3 % per year, or the system could look to the state for an increase in state funding of 7% per year. The workgroup decided that none of these options are a reasonable approach or address the underlining fundamental imbalance in the system's financial structure.

The graph in the board material models two scenarios of revenues and expenses projected over 10 years. The results are Case A which projects a \$66 million deficit and Case B which projects a \$475 million deficit. The difference in the assumptions used to build these outlooks relates to enrollment, state support, and tuition and cost inflation. The workgroup members may have had a general awareness of the data, but the work provided them with an opportunity for a deeper dive and a stronger understanding of this information. The workgroup brought a new set of eyes and new thinking to the problem. The graphs provided in the board packet shows that tuition has

grown from 33% of revenues to 50% of revenues over the years while state appropriation has declined from 67% to 47%. State support has fallen from 5.5% of the state budget in 1995 to 3.2% in 2017 for MnSCU. There would need to be an increase in state appropriation of over \$200 million a year in order to return this relationship to its historic place.

The workgroup also looked at other historical factors. It is notable that colleges and universities received most of their revenue from two sources; state appropriation and tuition. The workgroup took a look at other revenue sources to see what potential they held. Some of the items looked at were customized training and continuing education. There are efforts underway to grow that work. Another option examined was the benefit of growing graduate education. Enrollment growth overall holds great potential. Increasing retention alone would generate \$8 million a year. These strategies are worth pursuing and there are efforts underway to pursue all of them.

One of the most powerful presentations to the workgroup concerned the demographics of current and future students. There is strong growth among students of color and American Indian students, and the average age is over 26 years. The students are substantially eligible for Pell grants which are used as a proxy for income status. Typical enrollment is on a part-time basis and the students come from families that do not have a college attendance history.

The workgroup spent significant time trying to understand our environment and how student needs continue to change. The demographic shifts create an increase in cost because the range and scope of services have increased. The incoming student population is increasingly price sensitive. In order to serve our changing student populations, our way of doing business must change. The workgroup's recommendations were designed to address the principles created as a guideline. They are bold and broad reaching. We have also attempted to categorize the recommendations to ascertain the contribution each of the recommendations can make. Establishing a long-term financial sustainability strategy is key to success. The data presented has led to a series bold set of recommendations. Vice Chancellors Anderson and Carlson were invited to join at the table.

Workgroup's Recommendations

Associate Vice Chancellor Davis presented the recommendations:

Recommendation One

Captures the workgroup's belief that enormous benefits can be delivered to students when the collective wealth of colleges and universities is harnessed. This recommendation is related to work that is already underway—aligned curriculum, aligned online course and program offerings, customized training, transfer pathways, credentialing, branding efforts are all part of this recommendation.

Recommendation Two

Seeks to consolidate core business functions. This recommendation seeks to reconsider how we do business as a system—how to align our leadership to be economical and efficient while better serving students.

Recommendation Three

Calls on the system to build and expand partnerships with K-12 and other external agencies and groups to meet the needs of our changing student population. Some strategies suggest that we work to ensure students are prepared to enter college, and to grow the numbers of students who see college as possible and practical in their lives.

Recommendation Four

Asks the system to look at creative modifications to current labor practices in order to ensure that our students are able to access higher education where and when they need it.

Recommendation Five

Asks the system to re-calibrate its physical plant and space capacity to ensure access and opportunity for all students.

Vice Chancellor King gave closing remarks noting the principles that animated the group's work were guided by the system's strategic framework and an underlying belief that improving student success is key to the long-term financial sustainability of the colleges and universities. At the end of the presentation Chair Vekich welcomed clarifying questions.

Discussion

Trustee Anderson Kelliher asked if costs had been projected for all of the items. Vice Chancellor King referenced slide 13 and stated that the workgroup did not cost out the recommendations. After the work was completed and the report was compiled, the chairs took a look at the financial opportunities and the implementation requirements. That work will be done in the months ahead as the consultation process unfolds and the chancellor identifies the sequencing of the recommendations he's interested in pursuing.

Trustee Hoffman asked what is the state's role or commitment to higher education. Associate Vice Chancellor Davis responded that the workgroup does not see significant increases in the state's investment as a measurable contribution to the solution. Trustee Anderson Kelliher commented that it is disappointing that we are not asking for more from the state. Vice Chancellor King responded that the full report shows what has been happening and there can't be a focus on incremental change.

Trustee Benson thanked Mr. Schowalter for his participation and pointed out that there are a lot of similarities between healthcare and higher education and he would like to see a more brutal, deep review. Associate Vice Chancellor Davis pointed out that the report was cautious about diving too deeply into metrics in order to avoid being presumptive about decisions but recognizing frustration about not having some of the details. These are the kind of conversations that it was hoped that the report would elicit.

Trustee Renier asked whether, in reference to the share of the state's budget, it would be instructive to know what happened to the state budget during the examined time period in order to understand how state priorities have shifted. Vice Chancellor King responded that the chart provided in the board materials shows the operating budget data not only in percentages but also

in absolute dollars. It is more difficult to line up the state's priorities with the spending—there have been some significant policy changes referencing K-12 and healthcare as an example.

Mr. Schowalter appreciated the great question about how healthcare and education spending is an expanding portion of the general fund budget. It is best to start with the highest authorization and put it in K-12 as well as healthcare; not all healthcare but Medicaid and Medicare assistance through the state. Both have grown considerably over time. In looking at the graph from the board packet material, if 40% of the state's budget is K-12 and 30% is healthcare there are not a lot of slices left. If those keep growing, money will have to come from somewhere. There are only two other material budget elements: local government aid and higher education. What is seen as the slowly diminished share of the budget in higher education is not because of the policy shift as much as a series of smaller decisions over time of shifting where the state's resources go. The board can make assumptions about the state funding side, but the board's impact and control is in the area of tuition and enrollment management.

Trustee Anderson Kelliher expressed concern about enrollment and retention as it relates to revenue growth. This story is the same in a company, organization, and in nonprofit. If the only focus is on controlling expenses and there is no way of bringing in significantly more revenue or diversified revenue then the ideas presented will only go so far to fix the budget without coming to the next six or seven years and being at the same place.

Mr. Schowalter responded that if this report was just about cutting costs or raising revenues, he wouldn't be here. The goals of serving broader populations is significant. The workgroup attempted to figure out if there was something beyond lobbying a third party for more money and cutting costs.

Trustee Renier commented that during his twelve years on the board, he has witnessed presidents cutting and trying to rein in costs. We cannot continue to chip around the edges. We need across the board, system-level change to find any growth savings opportunities that will make an impact. We discuss capacity inequity across the state, but we cannot pick up buildings and move them. He cautioned the board to not decrease access in the name of 'right sizing' space. Things like following through on the campus service cooperative and shared centralized administration are important. Increasing enrollment is limited if you don't have the physical capacity to do it.

Trustee Anaya asked about the financial scenarios on page 11, whether the projection is on state appropriations and enrollment. Vice Chancellor King responded the material is the revenue drivers and expenditures. Trustee Anaya commented that it appears that the focus is standard related to internal spending and not focusing on the revenue generated through state appropriations. Vice Chancellor King responded that this is correct. There is no recommendation for increased state funding. Trustee Anaya commented we are not increasing appropriations and in fact have seen decreases over a decade. There has not been an explicit state policy shift away from public education. In looking at the comparison to healthcare, our role in shifting this paradigm is making the shift either intentional or addressed by the legislature. Could the recommendations include the continued data like; what will MnSCU look like in 2025, how

many institutions will still be in place, how many people can still afford to have the ability to educate?

Trustee Sundin commented that the committee should consider changing our requests, and being more creative and crisper about asking. There should be a consideration to offering the millennial generations a different way to fund not just their education but other people's education; perhaps a vote to become part of the solution.

Chancellor Rosenstone asked for clarification on the assumptions being made going forward with respect to state support (referencing the model) and what is the assumption of the incremental state support to be received to cover existing cost as opposed in projections with new costs associated.

Vice Chancellor King responded that the Case A assumption is a 1.1% annual appropriation increase year over year (historical experience) which smooths out cuts and zero years. Using biennial math, that's 3% biennially. Any additional tuition buy downs or new appropriations would be on top of the assumptions. Chancellor Rosenstone commented that the board's concern about increasing our state request is appreciated, but the workgroup wanted a more sober consideration of what we can or cannot assume as state investments beyond core functions.

Trustee Anaya expressed concern about not seeing gaps addressed in the recommendations. There aren't numbers attached to address the specific shortfalls; it could be assumed that it has to be figured out without any sources. Chancellor Rosenstone responded that the recommendation on page 13 of the report needs to be sharpened in precision and the variety of potential revenue streams. There will need to be realistic assumptions about what's doable. The revenue streams are gross and not net revenues. Vice Chancellor King responded that there needs to be more communication in order to put actions on the recommendations. Associate Vice Chancellor Davis commented that there has been some discussion about the imbalance in the revenue and that there was a distinction in the way cost cutting was discussed. The report rejects the incremental cost cutting that has been going on as a solution and asks the organization to be thoughtful about what needs to be changed. The rest of the report reflects a shift to doing business differently.

Trustee Otterson commented that it is not understood how the system is run when the capacity of the operation is not known. Referring to the third recommendation in the report on building partnerships, Trustee Otterson suggested considering work on university to college relationships.

Trustee Benson commented on page 13 of the report; asking for clarity on the growth potential of university and college market share. Vice Chancellor King responded the measurement is based on Minnesota market share. Vice Chancellor Anderson commented that there are some ways to come up with data — class capacity/unfilled seats, physical plant capacity, determining thresholds for when additional faculty/staff are added, etc. We have managed surges in enrollment due to recessions and other economic swings. It needs to be recognized that there would be additional costs for new and additional students and other support services. Trustee

Hoffman asked if our market share is growing every year. Vice Chancellor King commented that the colleges and universities have been gaining market share modestly over the years. Trustee Krinkie commented that the information provided is great and the recommendations are excellent. He asked whether there are any opportunities for thinking outside the box. There are only two people on the workgroup who are not directly involved or connected to the state college and university system.

Associate Vice Chancellor Davis commented that the composition of the group for the most part was connected to higher education and our system. However, all participants were provided with outside reading to draw their attention to other systems and creating new paradigms and encourage broad and creative thinking.

Trustee Krinkie commented that, “out of the box thinking” might include some or all of the following... campus closures, drastic reductions in the number of course offerings, more proportional tuition costs, sales tax options, national recruitment/marketing for online students. Vice Chancellor King responded that the report contains a lot of the flavor suggested and it wasn’t taken all the way to the finish line, but would expect in the days ahead that several of the ideas mentioned are included in the thinking, with the exception of the sales tax suggestion.

Trustee Cowles commented that one of the virtues of the project was a very good exchange of ideas across the organization. The workgroup participants exemplified very good listening skills, constructive conversation, and there was a great hunger for more of these discussions. One of the things that was very informative and helpful to the group was the amount of good details and factual information. As the variables and assumptions are considered in framing the recommendations we need to be mindful of the student demographics, the competitive market place in higher education, and how to demonstrate the needs with the legislators. The propensity to drive student retention needs to be demonstrated to the legislature. This is a good beginning and trustees’ engagement is welcomed. Trustee Cowles thanked Vice Chancellor King, Associate Vice Chancellor Davis, Vice Chancellor Anderson, and Vice Chancellor Carlson for their leadership on the workgroup.

Chair Vekich also thanked Trustee Cowles, Vice Chancellor King and Associate Vice Chancellor Davis, and the workgroup participants. The clear message is that the board is embracing what is here, and expecting more. Chair Vekich asked that those who will be providing input during consultation to please put aside personal and professional interests and seek what is best for the system.

Chancellor Rosenstone expressed great appreciation for the urgency of this charge and the report and stated that there will be a first reading of the FY2018-FY2019 legislative request in October. This work will inform the development of that request and the system’s thinking about what the next steps for these recommendations should be.

The study session adjourned at 11:50 a.m.
Respectfully submitted by
Maureen Braswell

BOARD OF TRUSTEES
FINANCE AND FACILITIES COMMITTEE
MEETING MINUTES

June 21, 2016

Finance and Facilities Committee Members Present: Chair Jay Cowles, Ann Anaya, Philip Krinkie, Maleah Otterson and Tom Renier

Other Board Members Present: Trustees Duane Benson, Elise Bourdeau, Alexander Cirillo, Dawn Erlandson, Robert Hoffman, Louise Sundin, Margaret Anderson Kelliher, Kelly Charpentier-Berg and Michael Vekich

Absent: Erma Vizenor

Leadership Council Representatives Present: Chancellor Steven Rosenstone, Vice Chancellor Laura King, President Barb McDonanld, North Hennepin Community College

The Minnesota State Colleges and Universities Finance and Facilities Committee held its meeting on June 21, 2016 at 4th Floor McCormick Room, 30 East 7th Street in St. Paul, MN

Chair Cowles called the meeting to order at 1:30 p.m. with a quorum present. Chair Cowles commented concerning the agenda that the contract items should go pretty quickly, the 2017 Operating Budget is in need of approval and that he would like for the committee to devote a substantial amount of time to the discussion of the allocation framework redesign efforts now underway. The allocation framework design efforts do not require action from the board: it is an update and opportunity to seek input. The operating budget material has been expanded to respond to member questions from last month's meeting but remains unchanged since there are no special session request results.

A two-page document was distributed which summarizes the 2016 legislative session.

Chair Cowles expressed appreciation to the Long-Term Financial Sustainability work group for the focus on student success and systemic enterprise-level changes. There is a strong connection between the annual operating budgets, the allocation framework design principles, and the long-term financial outlook. The allocation framework and the operating budget concerns the resources on hand, how they are spent, and what behaviors are rewarded. Long-term financial sustainability concerns the ability of colleges and universities to thrive into the future. Members are encouraged to keep both the short and longer term horizons in mind.

In the coming months as the work on the allocation framework redesign and the implementation planning on the work of the Long-Term Financial Sustainability work group recommendations continue, it is anticipated that there may be conflicting or contrary opinions and tension as the

short and long-term goals are aligned. The chair is confident that all parties can work through these issues to the benefit of students and the system's future sustainability.

Vice Chancellor King gave an update on the completed legislative session. A total of \$790,000 was appropriated to the Minnesota State Colleges and Universities for FY2017. Of the new appropriation, \$570,000 is ongoing to the college and university base budgets. There are no new resources to the system office, it is all going to colleges and universities. The attachment included in the board material show illustrations of allocations by school. There has been very strong support on the capital and operating budgets from the governor as the special session negotiations have begun. The governor recommended that the full \$21 million operating budget supplement be provided and he is pursuing additional bonding for the colleges and universities. The recent bonding testimony has focused on the system's impact on the state and stressed the importance of bonding to colleges and universities for both HEAPR and projects. At this time the terms of the special session have not been agreed upon by the parties.

Vice Chancellor King shared the impact of no 2016 bonding bill. It will represent the total loss of the 2016 program; both capital and asset preservation projects. If fully funded, it would provide \$245 million for design and construction work. HEAPR would provide funding for 43 campuses. The lack of a 2016 bonding program affects much-needed improvements supporting technical and trades programs, student services, and student activity areas, STEM programs and allied health activities will be stalled. The biggest concern is cost inflation and cost build up. If Minnesota Management and Budget's mandated inflation factors are used, there is expected to be a \$34 million addition to the cost. It is expected that backlog from 2016 will increase by \$44 million. There is currently no cushion in the asset preservation funds for emergencies should they arise. Steps are being taken to reach out and take back balances that are sitting in campus asset preservation projects and are idle. Less than \$5 million can be accumulated across the system to provide some emergency resource. The 2016 list is being reviewed in case there is an invitation to submit a 2017 bonding bill to the 2017 Legislative Session. The staff will be ready to present it to the board.

The legislative summary document was presented to the board and illustrates where resources are available to colleges and universities. It also includes the details of the tax bill.

Another update of note is the kickoff of the financial reporting season. Auditors are on campus and starting the work early this year in order to respond to their own internal workflow management.

1. Minutes of May 17, 2016

Chair Cowles presented the minutes for approval. There were no changes. Trustee Krinkie made the motion to approve, Trustee Renier seconded. The minutes were approved.

2. Approval of Contracts Exceeding \$1M:

- a) Bookstore Point-of-Sale/eCommerce/Accounting Software Master Contract**
- b) Facilities Cleaning Supplies, Equipment and Data Management System Master Contract**

- c) **MSU, Mankato Apartment Lease**
- d) **Rochester Community and Technical College/Rochester Schools CTECH Building Lease**
- e) **On-going Utility Contracts for Colleges and Universities**

Chair Cowles explained the series of five contracts are to be taken as a single motion. Vice Chancellor King was asked to speak about the last contract because it is unusual. Vice Chancellor King explained that the contracts are system or campus specific with the exception of the new category e) which emerged as the new Policy 5.14 has been rolled into the operational environment. These types of contracts were treated as procurement under the old policy. These utilities are in captive markets. Colleges and universities have little or no discretion in where they buy their utilities. In order to conform to the policy language, the motion states that the board would delegate to the chancellor or his designee the authority to execute these contracts. The underlying policy will be considered for amendment at the next regular review cycle.

Trustee Krinkie asked whether the institutions are allowed or provided an alternative; to buy “green energy.” Vice Chancellor King responded that the utility company is the “shot caller” and if there is an option for green energy, it would be through a relationship within the utility company. Chair Cowles stated that Trustee Sundin is looking forward to an upcoming facilities report in the fall to evaluate construction, maintenance, and performance of facilities. One question area may be how the policies are adapting to alternative energy choices and whether the board wants a point of view about it. Trustee Sundin asked how many of the universities or colleges have been able to take advantage of being in close proximity of a solar field. Vice Chancellor King will research. Trustee Otterson asked about the Mankato apartment lease. Since the Gage building was torn down, why there is a need to have the apartment complex? Vice Chancellor King invited Cindy Janney, Director of Housing, MSU, Mankato to respond. Ms. Janney responded that Gage had 1150 beds, Julia Sears opened 2008 with 600 beds, Preska opened 2012 with 300 beds. There is a gap of 250 beds and there is still a marketplace need unless demand go down.

Chair Cowles called for a motion per pages 14 and 15 of the board material. Trustee Renier made a motion to accept, Trustee Otterson seconded. The motion carried.

3. FY2017 Operating Budget - 2nd Reading

Chair Cowles presented the agenda item and asked Vice Chancellor King to report on the critical highlights. Vice Chancellor King introduced President Barbara McDonald and mentioned President Anne Blackhurst. They are the Leadership Council liaisons to the Finance and Facilities function. Also, with Vice Chancellor King and President McDonald at the table was System Director Deb Bednarz. Vice Chancellor King reported that the board is asked to approve the system’s annual operating budget and the tuition and fee rate structure which will be in place from July 1, 2016 through June 30, 2017. June Board materials have been updated to reflect decisions from the 2016 legislative session.

The budgets reflect the board's commitment to affordability, student success, and the need to operate within constrained resources. Both the proposed fiscal year 2017 operating budget of \$1.95 billion and the general fund budget of \$1.57 billion emphasizes three priority areas: maintaining affordability, supporting student success, and operating with constrained resources. The proposed operating budget supports key assumptions outlined in the board material. Tuition cost to students will decline in FY2017 depending upon financial aid awards. Tuition at colleges has been reduced by one percent and tuition at universities is frozen. Compensation in the college and university budgets is based on the approved labor contracts. The revenue fund pro forma is also included in the board material.

Almost two- third of students attending the colleges and universities receive some form of financial aid. In FY2015, 60 percent of students enrolled at the colleges and 63 percent enrolled at the universities received one or more financial aid awards including loans. From the student perspective, in FY2017, the combination of the college tuition decrease, frozen university tuition, increases to the Pell Grant amount, and changes in the state grant program translates into a reduced cost for students from FY2016 to FY2017, and translates into declining revenue at the colleges and universities. The All Funds budget for the overall system for FY2017 totals \$1.95 billion. Revenue is expected to increase by \$200,000. Expenses are expected to increase in FY2017 by \$5.1 million.

Trustee Hoffman asked whether there is a line item for Postsecondary Enrollment Options (PSEO) and concurrent enrollment on the revenue side and whether participation is increasing. Vice Chancellor King responded that there isn't a separate line item for this revenue. Chancellor Rosenstone explained that participation over the past five years is growing. Part of what the Leadership Council have been working on over the past year is coming up with a uniform cost structure for concurrent enrollment. There is a proposal that will level the playing field with respect to college and university pricing for PSEO and concurrent enrollment which will help match the costs more closely to what is incurred.

Trustee Hoffman asked whether out-state K-12 schools are resistant to our PSEO and concurrent programs. Chancellor Rosenstone responded that in the case of PSEO, a concern is when a student leaves a high school and comes to a university, the dollars are needed to cover the cost of the instruction. In terms of concurrent enrollment, the instruction is provided by the high school campus, there is still an obligation to provide quality services.

Trustee Sundin asked whether the five-year pricing plan has been looked at lately and if there can be more discussion with the board around this topic. Chancellor Rosenstone responded that the Leadership Council has worked on the plan over the past year, and it has been shared with school districts around the state. Leadership will work with the chair to determine where and how this conversation should take place, and whether it should be joint with Finance and ASA.

Trustee Krinkie inquired about the student consultation letters and why Rochester Community and Technical College is listed as unsatisfactory. Vice Chancellor King responded that the student president at Rochester Community and Technical College was unhappy with the consultation process at the campus level, and wished to be on record with that dissatisfaction.

Trustee Krinkie inquired whether the wellness fee increases are mandatory or optional fees. Vice Chancellor King responded the overall increase is due almost entirely to a restructuring that took place on one campus which reduced the student life fee and established a wellness fee. In order to keep budgets in balance, campuses have reallocated significant amounts to cover operational costs.

President McDonald offered insight on the budget development process stating that colleges and universities continue to do their best under less than favorable conditions. Enrollment continues to be an issue. Efforts to recruit and retain are connected to creating improved environments for our students so they are more likely to attend and continue at our schools. The work on instructional management continues to improve and efforts continue to increase partnering with the universities to increase opportunity for students.

Trustee Otterson asked where the student consultation letters could be found. Vice Chancellor King responded that there is a link in the board material packet on the student consultation checklist.

Vice Chancellor King explained that the proposed motion has changed slightly since last month. There is an amendment to address the ambiguity about a special session. Note that tuition rates are effective summer or fall term, at the discretion of each president. The chancellor is authorized to approve technical adjustments that arise throughout the year. The board continues its policy for market driven tuition

Trustee Renier made the motion to approve the recommended motion, Trustee Otterson seconded. The motion was adopted. Trustee Krinkie asked what percentage of students pay residence hall fees. Vice Chancellor King responded that it is fewer than 10,000 students systemwide.

The motion passed without objection.

Trustee Erlandson asked about the system's market share. Vice Chancellor King responded over the past nine years, the system has increased its share by 2 percent.

4. Report of Allocation Framework Redesign Effort

Vice Chancellor King provided context regarding recommendations to review and redesign the allocation framework. She also provided an overview of the membership of the Technical

Advisory Committee (TAC), and explained the communications process the TAC and staff have used to engage students and bargaining unit members.

TAC's work has been rooted in redesign principles endorsed by the board last November—academic and student success, needs of the state, sustainability, local authority, and collaboration tied to leveraging the power of the system. Design objectives include flexibility and transparency, measureable outcomes, incent/reward student success, collaboration, and administrative best practices, achieving a balance between stability and responsiveness, and recognizing that the cost of serving students is variable. Finally, the implementation plan should provide for a smooth transition.

The allocation model distributes about 83 percent of our state allocation. The other 17 percent is used for set asides and priority allocations. The allocation framework is only about the institutional allocation box on slide 10. The funds are allocated to the campuses as a block grant. Presidents make leadership decisions on how those funds are spent locally. Student financial aid and tuition remain at each campus where they are earned.

Preliminary recommendations are intended to simplify the framework while incenting improved student success outcomes and supporting student success by acknowledging the changing student demographics. There are graphics that summarize the proposed changes on current versus preliminary recommendations that will be coming out of this work.

Trustee Otterson asked Vice Chancellor King to elaborate on underrepresented students. Mr. Craig Schoenecker, system director for research, responded that the whole component shifts to a headcount basis. There would be measurement for underrepresented groups. There is an option for an additional 10 percent to the allocation for institutions that serve more underrepresented students.

Trustee Otterson asked whether this will benefit certain institutions in certain areas, disproportionately. Mr. Schoenecker responded that it will be based on the number of underrepresented students served by the institutions and there are significant numbers across the system.

Trustee Cirillo asked what the behavior modification goals are. Vice Chancellor King responded that with this set of recommendations, the committee is moving the allocation toward instruction and academic support.

Trustee Hoffman asked with the block grant, why the part-time student wouldn't be pursued and why not build the headcount. Vice Chancellor King responded that there is an open question to address what to do with the PSEO/concurrent student. The committee is mindful that the issue is important. If it's a general part-time student, the cost profile wouldn't be beneficial. If it's a concurrent student, this would be advantageous. The more headcount there is compared to FYE, the higher the costs are.

Trustee Krinkie asked about freezing facility square footage and how it ties into the long-term financial sustainability conversations. Vice Chancellor King responded that there is terrific alignment because there would be a suggestion in the allocation framework to reward a campus for down-sizing. Because square footage is frozen there is no penalty and there is no premium for adding square footage. The long-term financial sustainability recommendations call for right-sizing the environment or repurposing buildings in the communities. The base amount of square footage would still be recognized in the model. It is believed that this is a way to encourage colleges and universities to rethink their footprint without rewards for increasing or penalties for decreasing. This encourages colleges and universities to pursue alternative uses for their space.

Vice Chancellor King stated that the communication and consultation efforts to date have been robust and broad. Deb Bednarz, Susan Anderson, and Craig Schoenecker have done a terrific job managing communications with the bargaining units, student associations, CFOs, Academic and Student Affairs community, and have presented before leadership several times. Initial feedback includes: a request to extend the consultation period to the fall, faculty concerns about unintended consequences embedded in the student success outcomes measures, and how student concurrent enrollment is treated in the model.

Chair Cowles asked for clarification on what is meant by unintended consequences to student success outcomes measures and asked for an example or two. Vice Chancellor King responded that TAC spent a lot of time, research, and reading of national literature. It is the same concern which emerges in national literature and the K-12 world. TAC will watch this feature in the years ahead and be alert to behavior changes in response to the outcome measures that may otherwise not be desirable.

TAC's work needed to happen in a certain order, and the group is now ready to begin finalizing recommendations and the technical adjustments to the algorithms that are needed. The team will run scenarios and examine and analyze the results. One of the things to try and settle is how to take tuition revenue out of the cost data so that only state appropriation is included. Once tuition revenue is taken out, there can be a better understanding of volatility and the reallocation that could occur. The final piece will be implementation of the transition recommendations based on the results. The consultation processes will continue, as will efforts to continue with transparent conversations. The team will finalize changes to the framework based on feedback over the summer and fall and bring an update to the board in October and a motion to approve the final changes in November or December.

Trustee Cirillo asked whether it is possible to pilot this and whether it can be modeled. Vice Chancellor King responded that we have a very good modeling capability. Trustee Cirillo asked how it will be known when there is success and whether there are incentives for transformational change. Vice Chancellor King responded that while the allocation framework is really important to the campuses, their performances are bigger than the dimensions highlighted in the model. Their

success will be based on institutional success, relationship with the chancellor, and delivery on the system's work plan.

Chancellor Rosenstone commented that it is hard work and there is a lot at stake. He expressed his appreciation to Vice Chancellor King and staff for the hard work. Chancellor Rosenstone commented that any set of rules creates incentives and disincentives, as well as intended consequences and unintended consequences. It is important to continue to research what behaviors are intended to incent. Smooth transitions are important, but the board and the presidents must try to focus their considerations on what is the right thing to do for students and the communities' served.

In terms of long-term financial sustainability for the colleges and universities, there needs to be a model that will produce a set of rules that drive the organization in the direction which helps in accomplishing what needs to be modeled for students. The allocation model redesign is occurring for the first time in 15 years. Very small incentives can produce very big change. Once all the pieces are in place, there will be a need to step back and have conversations with presidents and the board to figure out if the packet of incentives, both primary and secondary, is moving in the direction the system should be going in the next decade.

Chair Cowles commented that Chancellor Rosenstone's response speaks to both the long-term financial sustainability, current work, and the allocation framework. There are questions that the board wants the committee to consider which are: do the recommendations reflect the board-approved principles? Is the board comfortable with the direction of the work? Is the board comfortable with the consultation process? Vice Chancellor King and her colleagues have done a great job in describing the mid-stream process and the sequence.

Trustee Hoffman commented that good management and leadership should be rewarded, which did not happen in the past, and he asked whether the model is fair. Vice Chancellor King reflected on 15 years ago and having this conversation that it was important to create a model that was value neutral and fair. The current model reflects that but now the conversation is more sophisticated and includes the values and goals to be met.

Trustee Hoffman asked what part of this is the biggest concern. Vice Chancellor King expressed being pleased with material presented and stated that TAC has spent significant time and effort in trying to identify possible unintended consequences and adjust accordingly, kept enough of the current model to ensure a measure of familiarity, and created enough change to make a difference.

Trustee Cirillo asked if there are any schools at a disadvantage. Vice Chancellor King responded that it is not yet known but tuition revenue will have an impact.

Chancellor Rosenstone made closing comments that this is a terrific start, but there are important questions that will need to be addressed. This includes questions that trustees have asked in the

past about the pace at which money smooths out over time, risks, shared services, what has to be done together going forward. There are systems where the allocation rests in the hands of the chancellor and the chancellor decides where money will be allocated. It is rarely done in a way that's transparent or predictable as is done here. The tradition in the system must be respected by making a set of rules, getting them in writing, and assuring that the allocation process is not a political process. The hard work that has been done is applauded but there is a lot of hard work ahead.

Chair Cowles thanked Vice Chancellor King and the Technical Advisory Committee and the trustees and committee members for the engagement in this topic. Vice Chancellor King also thanked the Technical Advisory Committee for the tremendous hours put in and the dedication to the work.

5. 2016 Legislative Summary - Including Bonding Bill Outcome

Chair Cowles observed that the update on the 2016 leg summary has already been delivered. There was no discussion on this item.

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

Vice Chancellor King referenced page 154 of the board materials and explained that there is a lot of restructuring going on underneath Policy 5.12 that has a substantial portion of what was in policy moved into procedure. The deletions indicated in the proposed policy areas are being moved into procedures and are now out for consultation. The committee has been working with Academic and Student Affairs to ensure that there is adherence to the commitment to student success. This policy will be presented for the chancellor's approval after the board approves it. A second reading will be presented to the board in October 2016.

There was no further discussion. The meeting adjourned at 3:30 p.m.

Respectfully submitted,

Maureen Braswell, Recorder

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

Name: Finance and Facilities Committee

Date: October 18, 2016

Title: Proposed Amendment to Policy 5.12 Tuition and Fee Due Dates, Refunds, Withdrawals, and Waivers – Second Reading

Purpose (check one):

- | | | |
|--------------------------------------------------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------|
| <input checked="" 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 type="checkbox"/> Information | |

Brief Description:

The Financial Reporting staff reviewed Policy 5.12 as part of the five year review cycle pursuant to Board Policy 1A.1 Minnesota State Colleges and Universities Organization and Administration, Part 6, Subpart H, Periodic review. The proposed amendment contains technical edits consisting of updated formatting and writing styles and the deletion of redundant language.

The proposed amendment was reviewed by the Office of General Counsel, cabinet, then sent out for formal consultation with the presidents, employee representative groups, student associations and campus leadership groups. All comments received from the consultation were taken into consideration.

Scheduled Presenter(s): Laura M. King, Vice Chancellor - CFO

BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES

Second Reading

BOARD ACTION

PROPOSED AMENDMENT TO POLICY 5.12 TUITION AND FEE DUE DATES,
REFUNDS, WITHDRAWALS, AND WAIVERS – SECOND READING

1 **BACKGROUND**

2
3 Board Policy 1A.1, Part 6, Minnesota State Colleges and Universities Organization and
4 Administration, requires periodic review of all board policies and procedures to “determine
5 whether it is needed, that it is current and complete, not duplicative of other policies, does not
6 contain unnecessary reporting requirements or approval processes, and is consistent with style and
7 format requirements”.

8
9 Board Policy 5.12 Tuition and Fee Due Dates, Refunds, Withdrawals and Waivers, was adopted
10 by the Board of Trustees and became effective June 21, 2000. The policy was last before the board
11 in May of 2011 at which time language was added requiring colleges and universities to follow an
12 established tuition and fees payment due date framework. Staff reviewed policy 5.12 in the spring
13 2016.

14
15 **PROPOSED AMENDMENTS**

16
17 The proposed amendments to Policy 5.12 are, by strikethrough and underlining, reflected in the
18 tracked-change copy of the policy on the following page (Attachment A). Proposed changes
19 include re-written passages on refunds and waivers to add clarity and consistency with terminology
20 used in current processes. The refund schedule section is removed from the policy in order to add
21 it to procedure 5.12.4 Refund of Tuition and Fees. Also included are formatting, heading, and style
22 changes. The revised policy with the recommended changes incorporated is found on attachment
23 B.

24
25 **REVIEW PROCESS**

26
27 The proposed board policy revision was circulated to campus leadership groups, employee
28 representative groups, and student associations. All comments received during the review process
29 have been considered.

30
31 **RECOMMENDED COMMITTEE MOTION**

32
33 The Finance and Facilities Committee recommends the Board of Trustees adopt the following
34 motion:

35 The Board of Trustees approves the changes to Board Policy 5.12 Tuition and Fee Due Dates,
36 Refunds, Withdrawals and Waivers.

37

38 **RECOMMENDED BOARD MOTION**

39

40 The Board of Trustees approves the changes to Board Policy 5.12 Tuition and Fee Due Dates,
41 Refunds, Withdrawals and Waivers.

42

43

44

45 Date Presented to the Board of Trustees: 06/21/16

46 Date of Implementation: 10/19/16

47

Second Reading

BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES

BOARD POLICY
Chapter 5 Administration
Section 5.12 Tuition and Fee Due Dates, Refunds, Withdrawals and Waivers

- 1 **Part 1. Policy Statement Purpose**
- 2 To provide management and guidance on tuition and fee due dates, refunds, withdrawals, and
- 3 waivers.
- 4
- 5 **Part 1.2. Authority**
- 6 Minnesota Statute § 136F.06, Powers and Duties, state that the Board of Trustees shall set tuition
- 7 and fees and adopt suitable policies for the institutions it governs. Policy 1A.1, Part 6, Subpart A
- 8 states that the board is authorized by Minnesota Statute §136F.06, Subdivisions 1 and 2 to adopt
- 9 suitable policies for the institutions it governs.
- 10
- 11 **Subpart A. Part 3. Tuition and Fee Due Date**
- 12 Colleges and universities ~~must~~ shall follow the tuition and fees payment due date framework as
- 13 defined in procedure 5.12.3 as authorized by system procedure. Colleges and universities shall
- 14 drop all ~~classes~~ courses for students who ~~h~~ have not ~~paid in full~~ met the minimum payment
- 15 requirement, do not have a financial aid deferment, or have not established a payment plan.
- 16 ~~Colleges and universities shall grant a~~ An extension of the payment due date ~~must be granted for~~
- 17 to students who have filed and are awaiting ~~properly~~ approved financial aid from federal, state or
- 18 other third-party sources.
- 19
- 20 Colleges and universities shall inform a student that has received a financial aid deferment that
- 21 they will remain registered and financially obligated for the tuition and fees even if they do not
- 22 receive financial aid.
- 23
- 24 The president or designee may grant short-term tuition and fee payment deferrals in cases where,
- 25 due to exceptional circumstances, a student needs additional time to arrange third-party financing
- 26 or otherwise satisfy a tuition and fee balance due.
- 27 ~~Deferrals must document the reason for and time duration of the deferral and must be signed by~~
- 28 ~~the president or designee.~~

29 **Subpart B. Part 4. Payment Plans**

30 Colleges and universities shall provide payment plans for students, permitting them to pay their
31 tuition and fees after the due date. ~~provided the minimum first payment amount is paid as~~
32 ~~defined in procedure 5.12.5.~~ Colleges and universities shall assess a ~~payment plan~~ fee for ~~internal~~
33 payment plans to cover the costs of processing payments consistent with this policy.

34
35 **Subpart C. Part 5. Refunds for Dropped Classes—Courses**

36 Students may attend at least one class session for each registered, credit-based course without
37 obligation. Refunds for courses dropped by the established deadline will be issued as authorized
38 by the system procedure on refunds.

39
40 Students are financially obligated for tuition and fees if withdrawing from a course after the
41 established deadline to drop courses. Students may petition the college or university to apply the
42 amount of the tuition and fees from a course withdrawal to the cost of an added course for the
43 current academic term.

44
45 ~~Students are entitled to have the opportunity to attend one class session for each registered, for-~~
46 ~~credit course, without obligation. Subject to the refund for full withdrawal provision of Subpart~~
47 ~~D, students are financially obligated for any classes dropped after the fifth business day of the~~
48 ~~term, or one business day after the first class session, whichever is later. For purposes of this~~
49 ~~policy, business days are defined as Monday through Friday (excluding posted holidays).~~

50 ~~If a student is financially obligated for a dropped class, the student may petition the college or~~
51 ~~university to apply the amount of the tuition and/or fees for the dropped class to the cost of an~~
52 ~~added class for the current term.~~

53 ~~For courses less than three weeks in length, the colleges and universities shall establish the no-~~
54 ~~obligation drop and refund period of no more than one business day after the first class session~~
55 ~~for each for credit course.~~

56 ~~Subpart D. Refunds for Withdrawals. Upon expiration of the no obligation period defined in~~
57 ~~Subpart C, colleges and universities shall refund tuition and fees for students who totally~~
58 ~~withdraw from for credit courses in accordance with the following schedules:~~

59 **1.—Fall and Spring Academic Terms**

Withdrawal Period	Refund %
1st through 5th business day of term	100
6th through 10th business day of the term	75
11th through 15th business day of the term	50
16th through 20th business day of the term	25
after 20th business day	0

60 2. ~~Summer sessions and other terms at least three weeks but less than ten weeks in~~
61 ~~length.~~

Withdrawal Period	Refund %
1st through 5th business day of the term	100
6th through 10th business day of the term	50
after the 10th business day of the term	0

62 3. ~~Class terms less than three weeks in length.~~

Withdrawal Period	Refund %
1st business day of the term	100
2nd through 3rd business day of the term	50
after the 3rd business day of the term	0

63 **Part 6. Waivers**

64 **Subpart E. Waivers:**

65 ~~The president may waive amounts due to the college or university for the following reasons:~~

66 ~~Employee Benefit Provided by a collective bargaining agreement~~

67 ~~Death of a student~~

68 ~~Medical reasons~~

69 ~~College error~~

70 ~~Employment related condition~~

71 ~~Significant personal circumstances~~

72 ~~Student leader stipends~~

73 ~~Course conditions (A course condition exists when the location or timing of the course results in~~
74 ~~the student not being able to use the services intended by a fee)~~

75 ~~Resident hall fees~~

76 ~~Natural disasters or other situations beyond the control of the campus~~

77 The president or designee may waive amounts due to the college or university as authorized ~~in~~by
78 the system procedure on waivers.

79 ~~for individual institutional waivers as approved by the Board.~~

80 Each college or university shall define the terms under which any authorized waiver will be
81 granted. The college or university ~~must shall~~ document the reason for all waivers. The college or
82 university cannot waive the MSUSA or MSCSA student association fee. However, a college or
83 university may elect to pay the fee on behalf of a student who qualifies for an approved tuition or
84 fee waiver.

85

86 Colleges and universities shall, in consultation with students, develop guidelines to implement
87 this policy. These guidelines must be available to students.

88

89 **Part 3-7. Accountability and Reporting**

90 Colleges and universities shall maintain records on refunds, drops, withdrawals, nonattendance,

91 and waivers to ensure accountability and accurate reporting in accordance with applicable
92 procedures.

93
94 **Related Documents:**

- 95 • [Procedure 5.12.1](#) Military Service and Disabled Veterans
- 96 • [Procedure 5.12.2](#) Tuition Waivers and Deferrals
- 97 • [Procedure 5.12.3](#) Payment Related Dates and Registration Cancellation
- 98 • [Procedure 5.12.4](#) Refund of Tuition and Fees
- 99 • [Procedure 5.12.5](#) Payment Plans

100
101 To view any of the following related statutes, go to the Revisor's Web site
102 (<http://www.revisor.leg.state.mn.us/>). You can conduct a search from this site by typing in the
103 statute number.

- 104
- 105 • [Minn. Stat. § ~~Minnesota Statute Chapter~~ 136F.06](#)
- 106 • [Minn. Stat. § ~~Minnesota Statute Chapter~~ 136F.70, Subd. 1](#)
- 107 • [Minn. Stat. § ~~Minnesota Statute Chapter~~ 192.502, Protections](#)
- 108 • [Minn. Stat. § ~~Minnesota Statute Chapter~~ 197.447, Veteran, Defined](#)
- 109

110 **Procedure Policy History:**

111
112 *Date of Adoption:* 06/21/00;

113 *Date of Implementation:* 08/15/07

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

115
116 *Date & Subject of Amendments:*

117 05/18/11 ~~__~~ Amended Part 2, Subpart A requiring colleges and universities must follow
118 the tuition and fees payment due date framework as defined in procedure 5.12.3.

119 08/15/07 ~~__~~ Part 2, Subpart B, is amended by deleting "may" after "universities" and
120 ~~inserting~~ inserting "shall"; on line 34 after "fee" inserting "for internal payment plans"
121 (see July 20, 2005 Board Meeting minutes).

122 08/15/06 ~~__~~ Part 2, Subpart A, is amended by deleting "may" after "universities" and
123 inserting "shall". Part 2, Subpart B, is amended by inserting after "date" the phrase
124 "provided the minimum first payment amount is paid as defined in procedure 5.12.5"
125 (see July 20, 2005 Board Meeting minutes).

126 (effective 8/15/05) 07/20/05 ~~__~~ Changed the title to include Tuition and Fee Due Dates.

127 Amended Part 2, Added Subpart A to allow presidents to grant tuition and fee deferrals
128 in certain circumstances. Added Subpart B requiring colleges and universities to
129 provide payment plans permitting students to pay tuition and fees. Amended Subpart C
130 obligating students financially for classes dropped after the fifth business day of the
131 term. Amended Subpart D changing "class day" to "business day" and defines schedule
132 for refunds for withdrawals. Amended Part 3 requiring colleges and universities to
133 maintain records on drops, nonattendance and waivers

134 (effective 8/15/06) Amended Part 2, Subpart A requiring colleges and universities to drop
135 ___ classes for students who have not paid in full, Amended Part 2 Subpart B requiring
136 ___ students to pay the minimum first payment amount for the plan to avoid drop for
137 ___ nonpayment requirements.

138 (effective 8/15/07) Amended Part 2, Subpart B requiring colleges and universities to assess
139 ___ a payment plan fee for internal payment plans to cover the costs of processing
140 ___ payments

Second Reading

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

BOARD POLICY
Chapter 5 Administration
Section 5.12 Tuition and Fee Due Dates, Refunds, Withdrawals and Waivers

1 **Part 1. Purpose**

2 To provide management and guidance on tuition and fee due dates, refunds, withdrawals, and
3 waivers.

4
5 **Part 2. Authority**

6 Policy 1A.1, Part 6, Subpart A states that the board is authorized by Minnesota Statute §136F.06
7 to adopt suitable policies for the institutions it governs.

8
9 **Part 3. Tuition and Fee Due Date**

10 Colleges and universities shall follow the tuition and fees payment due date framework as
11 authorized by system procedure. Colleges and universities shall drop all courses for students who
12 have not met the minimum payment requirement, do not have a financial aid deferment, or have
13 not established a payment plan. An extension of the payment due date must be granted to
14 students who have filed and are awaiting approved financial aid from federal, state or other third-
15 party sources.

16
17 Colleges and universities shall inform a student that has received a financial aid deferment that
18 they will remain registered and financially obligated for the tuition and fees even if they do not
19 receive financial aid.

20
21 The president or designee may grant short-term tuition and fee payment deferrals in cases where,
22 due to exceptional circumstances, a student needs additional time to arrange third-party financing
23 or otherwise satisfy a tuition and fee balance due.

24
25 **Part 4. Payment Plans**

26 Colleges and universities shall provide payment plans for students, permitting them to pay their
27 tuition and fees after the due date. Colleges and universities shall assess a fee for payment plans
28 to cover the costs of processing payments consistent with this policy.

29

30 **Part 5. Refunds for Dropped Courses**

31 Students may attend at least one class session for each registered, credit-based course without
32 obligation. Refunds for courses dropped by the established deadline will be issued as authorized
33 by the system procedure on refunds.

34
35 Students are financially obligated for tuition and fees if withdrawing from a course after the
36 established deadline to drop courses. Students may petition the college or university to apply the
37 amount of the tuition and fees from a course withdrawal to the cost of an added course for the
38 current academic term.

39
40 **Part 6. Waivers**

41 The president or designee may waive amounts due to the college or university as authorized by
42 the system procedure on waivers.

43
44 Each college or university shall define the terms under which any authorized waiver will be
45 granted. The college or university shall document the reason for all waivers. The college or
46 university cannot waive the MSUSA or MSCSA student association fee. However, a college or
47 university may elect to pay the fee on behalf of a student who qualifies for an approved tuition or
48 fee waiver.

49
50 Colleges and universities shall, in consultation with students, develop guidelines to implement
51 this policy. These guidelines must be available to students.

52
53 **Part 7. Accountability and Reporting**

54 Colleges and universities shall maintain records on refunds, drops, withdrawals, nonattendance,
55 and waivers to ensure accountability and accurate reporting in accordance with applicable
56 procedures.

57
58 **Related Documents:**

- 59 • [Procedure 5.12.1](#) Military Service and Disabled Veterans
- 60 • [Procedure 5.12.2](#) Tuition Waivers and Deferrals
- 61 • [Procedure 5.12.3](#) Payment Related Dates and Registration Cancellation
- 62 • [Procedure 5.12.4](#) Refund of Tuition and Fees
- 63 • [Procedure 5.12.5](#) Payment Plans

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67 statute number.

- 68 • Minn. Stat. § 136F.06
- 69 • Minn. Stat. § 136F.70, Subd. 1
- 70 • Minn. Stat. § 92.502, Protections
- 71 • Minn. Stat. § 197.447, Veteran, Defined

72
73 **Policy History:**

74
75 *Date of Adoption:* 06/21/00
76 *Date of Implementation:* 08/15/07
77 *Date of Last Review:* xx/xx/xx

78
79 *Date & Subject of Amendments:*

80 05/18/11 – Amended Part 2, Subpart A requiring colleges and universities must follow the
81 tuition and fees payment due date framework as defined in procedure 5.12.3.

82 08/15/07 – Part 2, Subpart B, is amended by deleting "may" after "universities" and
83 inserting "shall"; on line 34 after "fee" inserting "for internal payment plans" (see July
84 20, 2005 Board Meeting minutes).

85 08/15/06 – Part 2, Subpart A, is amended by deleting "may" after "universities" and
86 inserting "shall". Part 2, Subpart B, is amended by inserting after "date" the phrase
87 "provided the minimum first payment amount is paid as defined in procedure 5.12.5"
88 (see July 20, 2005 Board Meeting minutes).

89 (effective 8/15/05) 07/20/05 – Changed the title to include Tuition and Fee Due Dates.
90 Amended Part 2, Added Subpart A to allow presidents to grant tuition and fee deferrals
91 in certain circumstances. Added Subpart B requiring colleges and universities to
92 provide payment plans permitting students to pay tuition and fees. Amended Subpart C
93 obligating students financially for classes dropped after the fifth business day of the
94 term. Amended Subpart D changing "class day" to "business day" and defines schedule
95 for refunds for withdrawals. Amended Part 3 requiring colleges and universities to
96 maintain records on drops, nonattendance and waivers

97 (effective 8/15/06) Amended Part 2, Subpart A requiring colleges and universities to drop
98 classes for students who have not paid in full, Amended Part 2 Subpart B requiring
99 students to pay the minimum first payment amount for the plan to avoid drop for
100 nonpayment requirements.

101 (effective 8/15/07) Amended Part 2, Subpart B requiring colleges and universities to assess
102 a payment plan fee for internal payment plans to cover the costs of processing
103 payments

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

Name: Finance and Facilities Committee

Date: October 18, 2016

Title: ISRS NEXT Gen Update

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:

The board has been briefed on several occasions as the planning for the replacement of the system's enterprise information technology system has proceeded. The committee will be update on the consultation and project planning work and provided with the high level financial outlook for the project.

Scheduled Presenter(s):

Ramon Padilla, Vice Chancellor – Chief Information Officer
Laura M. King, Vice Chancellor – Chief Finance Officer



October 18, 2016

ISRS Next Generation Recommendations

Board of Trustees
Discussion with the Finance and Facilities Committee

A Quick Review

- **Board Discussions**

June 17, 2014

Topic introduced

October 20, 2015

ISRS Study Session

March 15, 2016

Presentation of Next Gen Business Case

September 21, 2016

Part of a discussion of the FY2018-
FY2019 Biennial Legislative Request

What is ISRS?

- **ISRS is critical to student and organizational success.**
 - ISRS is **THE** data system (Enterprise Resource Planning) for our colleges and universities and their students, faculty, and staff.
 - ISRS plays a critical role in the success of our students – from applicant to graduate and nearly every process in between.
 - ISRS touches *everyone* and has a role in nearly every activity – from application to registration, course schedule, housing, financial aid, transcripts, and more. It is our system's finance, accounting and HR software as well as its student system.
 - ISRS is the cornerstone data system for our enterprise.

Extensive Consultation and Comprehensive Planning

- Intensive and extensive review of materials going back 20 years including two separate Gartner studies, existing documentation, and financial analysis.
- Engaged in two cycles of campus listening sessions:
 - Cycle 1 was part of Charting the Future Gallery Walks;
 - Cycle 2 consisted of 31 campus all-day listening sessions and survey feedback during September and October 2015.
- Engaged 3rd party expertise to conduct listening sessions, interview peer systems, and conduct environmental scan.
- Engaged 3rd party to conduct market research to assist in cost estimate.

What Have We Learned?

- **ISRS is reaching its technological end of life.**
 - ISRS is 20 years old and cannot meet the needs of 21st century students, colleges, and universities.
 - The system office is not staffed to keep ISRS current with the needs of our students, colleges, and universities.
 - There is strong support from students, faculty, and staff that an examination of our options regarding ISRS is long overdue.
 - ISRS needs more than a facelift.

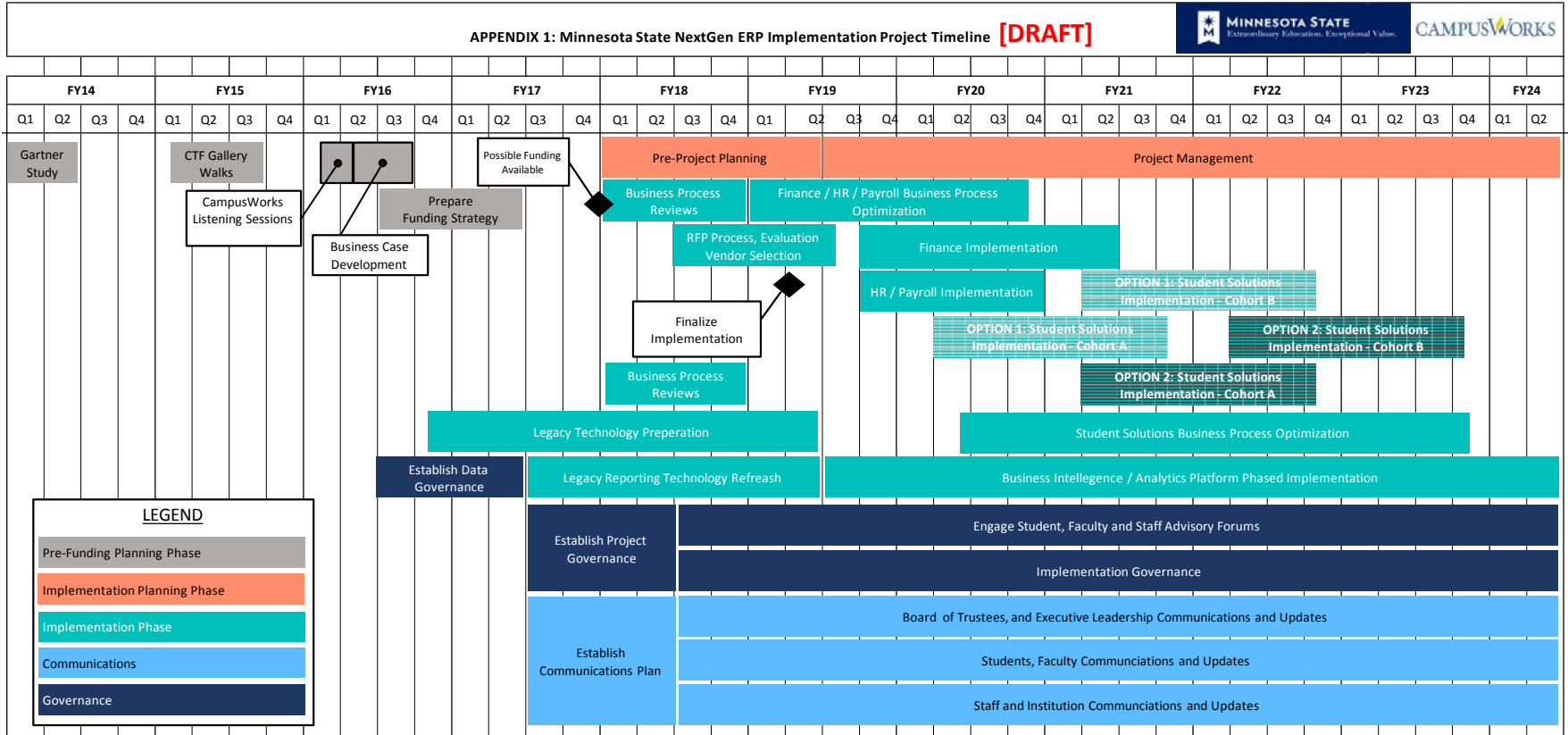
What Do We Know?

- **ERP implementations are a heavy lift.**
 - Replacement of a system such as ISRS is a once-in-a-generation (20 years) type of activity.
 - The workload is ***extensive***, touches everyone in the system, and will span multiple tenures of leadership.
 - The project will require the ongoing, resolute support of the Board of Trustees.
 - Success will be determined by the unwavering commitment of leadership to make – and stand behind – timely decisions about business/organizational processes.

How Do We Get There?

- **The time to act is now.**
 - Replacement of a system such as ISRS will take approximately **7 years** to complete (beginning in FY18).
 - The costs of a project this size and duration will be \$150 million dollars.
 - This is not a decision we can defer without considerable risk. Maintaining the status quo is not an option.

A High Level Roadmap



ISRS Next Gen Estimated Project Costs

\$150M Breakdown

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Total
External costs							
Licenses	-	8,000,000	9,000,000	9,000,000	9,000,000	9,000,000	44,000,000
Implementation	-	9,000,000	10,000,000	13,000,000	22,000,000	3,000,000	57,000,000
Project management	1,900,000	1,400,000	2,000,000	2,000,000	2,000,000	1,250,000	10,550,000
Sub-total	\$ 1,900,000	\$ 18,400,000	\$ 21,000,000	\$ 24,000,000	\$ 33,000,000	\$ 13,250,000	\$ 111,550,000
Internal costs							
Software integration	2,700,000	950,000	950,000	950,000	950,000	700,000	7,200,000
Implementation teams	330,000	3,614,000	6,614,000	8,064,000	7,564,000	5,064,000	31,250,000
Sub-total	3,030,000	4,564,000	7,564,000	9,014,000	8,514,000	5,764,000	38,450,000
Total	\$ 4,930,000	\$ 22,964,000	\$ 28,564,000	\$ 33,014,000	\$ 41,514,000	\$ 19,014,000	\$ 150,000,000

DISCUSSION

- Have I provided this committee and the board sufficient information to make decisions regarding ISRS Next Generation?
- Is there continued committee (and board) support for the organizational commitment that will be necessary to succeed?
- How does the committee want to be updated over the months and years ahead?

MINNESOTA STATE BOARD OF TRUSTEES
Agenda Item Summary Sheet

Name: Finance and Facilities Committee

Date October 18, 2016

Title: Internal Financial Model and Allocation Framework Redesign (First Reading)

Purpose (check one):

Proposed
New Policy or
Amendment to
Existing Policy

Approvals
Required by
Policy

Other
Approvals

Monitoring /
Compliance

Information

Brief Description:

Minnesota State's internal financial model has been under review 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 purpose of this agenda item is to present recommended changes to the internal financial model, including changes to the Allocation Framework, to the Board of Trustees. An update on other work in progress will also be provided.

This is the first reading of this agenda item; consideration of the recommended proposal is scheduled for November.

Presenters:

Laura M. King – Vice Chancellor and CFO

Deb Bednarz – System Director Financial Planning & Analysis

Susan Anderson – Associate System Director Financial Planning & Analysis

Craig Schoenecker – Senior System Director Research

First Reading

**BOARD OF TRUSTEES
MINNESOTA STATE**

BOARD ACTION
INTERNAL FINANCIAL MODEL AND ALLOCATION FRAMEWORK REDESIGN

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 first reading of the internal financial model and allocation framework redesign. Board approval of the recommendations is scheduled to be considered in November. Implementation would begin with FY2018 allocations.

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.

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. An implementation recommendation is also put forward. All the recommended changes are described in attachment B.

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 appropriated resources for this payment that would otherwise be available to add to the 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 FY2018.

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/xx/16
Date of Implementation: 07/01/17



October 18, 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. Board-approved allocation framework redesign principles
3. Review and consultation process
4. Allocation framework recommendations
5. Other efforts underway
6. Commitment to on-going review and analysis
7. Questions and discussion

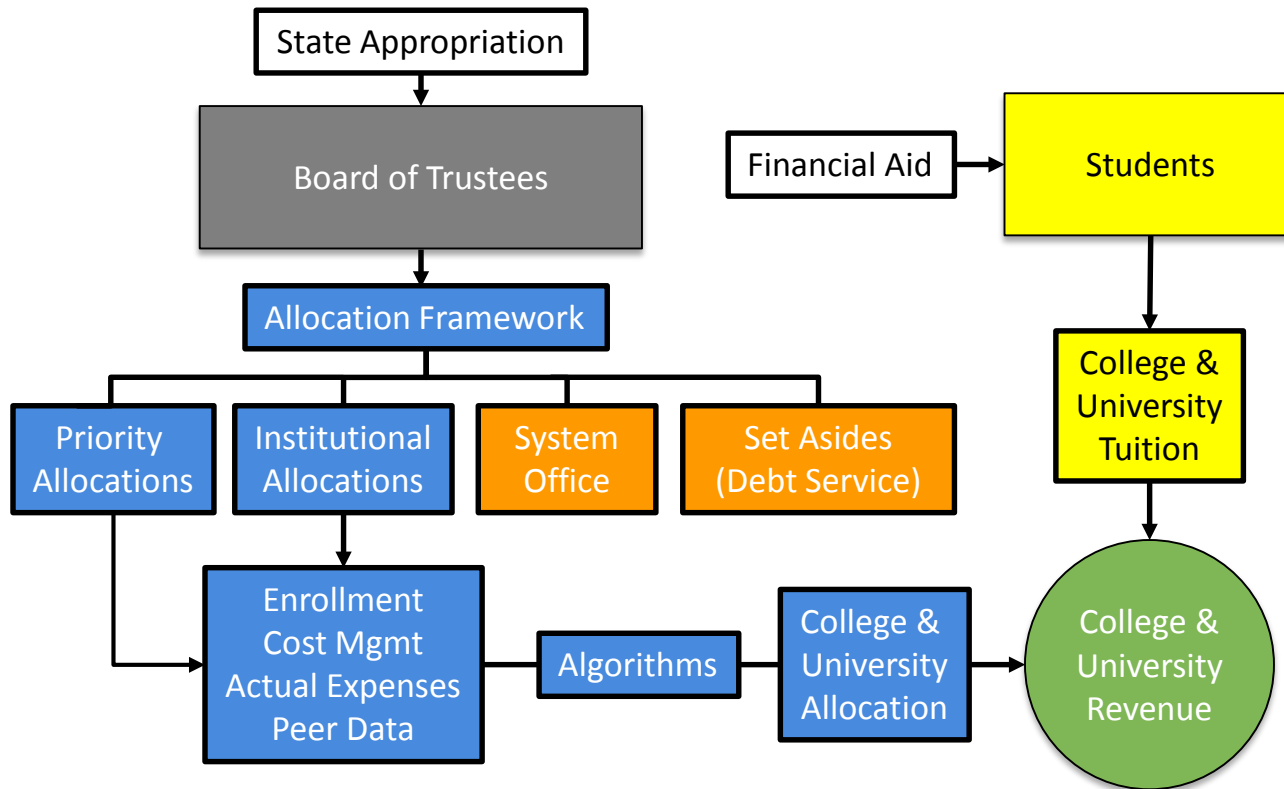
Allocation Framework Redesign and Internal Financial Model: Background and Review



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

The flow of system operating funds



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

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

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

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)

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

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

Allocation Framework Redesign: Review and Consultation Process

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

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

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



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

Allocation Framework Redesign: Recommendations

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.

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.

The proposed modifications were based on the board-approved principles

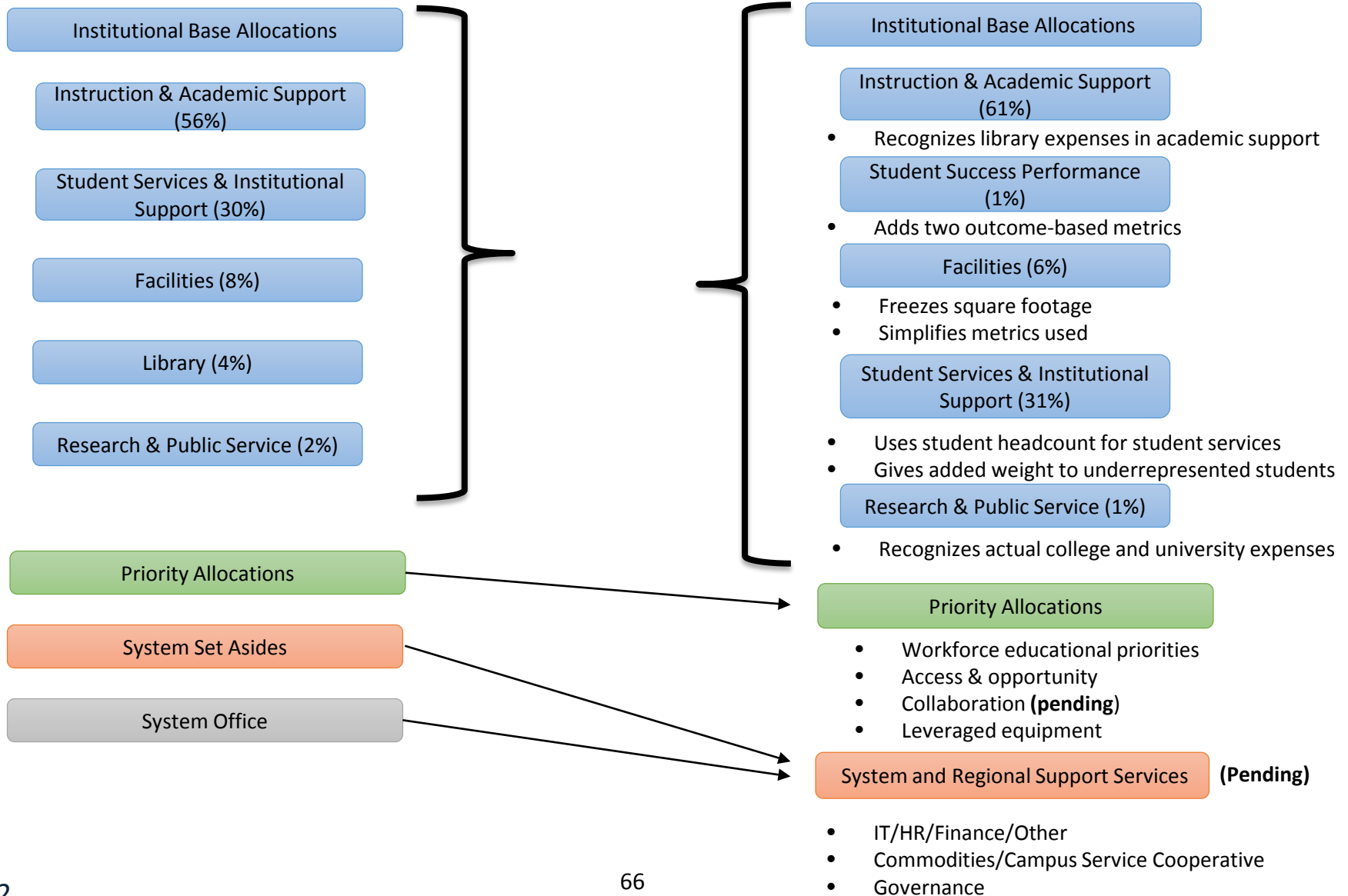
- Adds outcome-based student success component
- Determines student service allocation based on student headcount rather than FYE
- Gives additional weight to underrepresented students in the student services module
- Simplifies the facilities component and freezes square footage

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

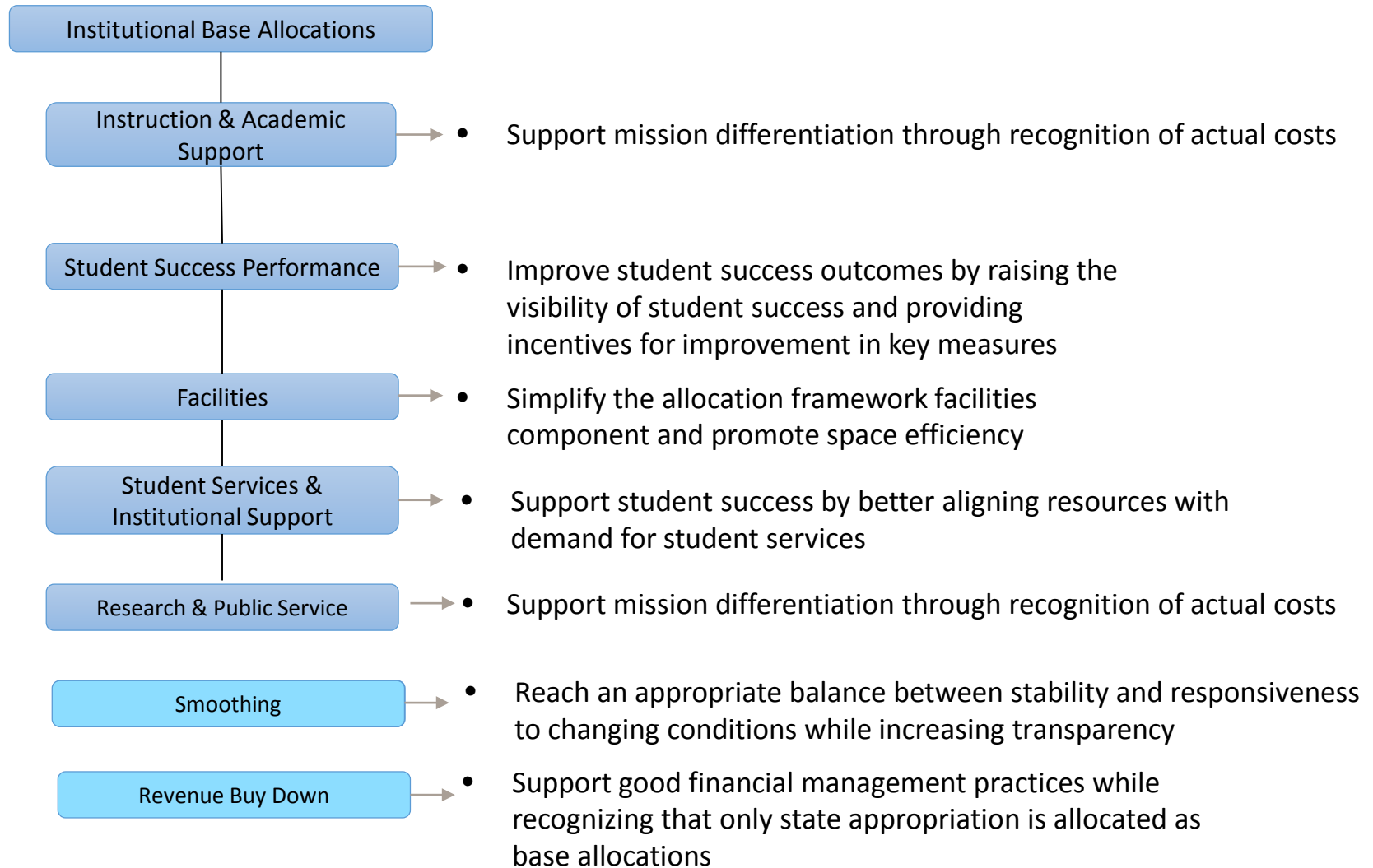
- Uses actual library, research and public service costs rather than a calculated value
- More accurately reflects the actual costs of concurrent enrollment programs in the allocation model
- Commits to a smooth transition, ongoing evaluation, and continuous improvement of the allocation framework

Current

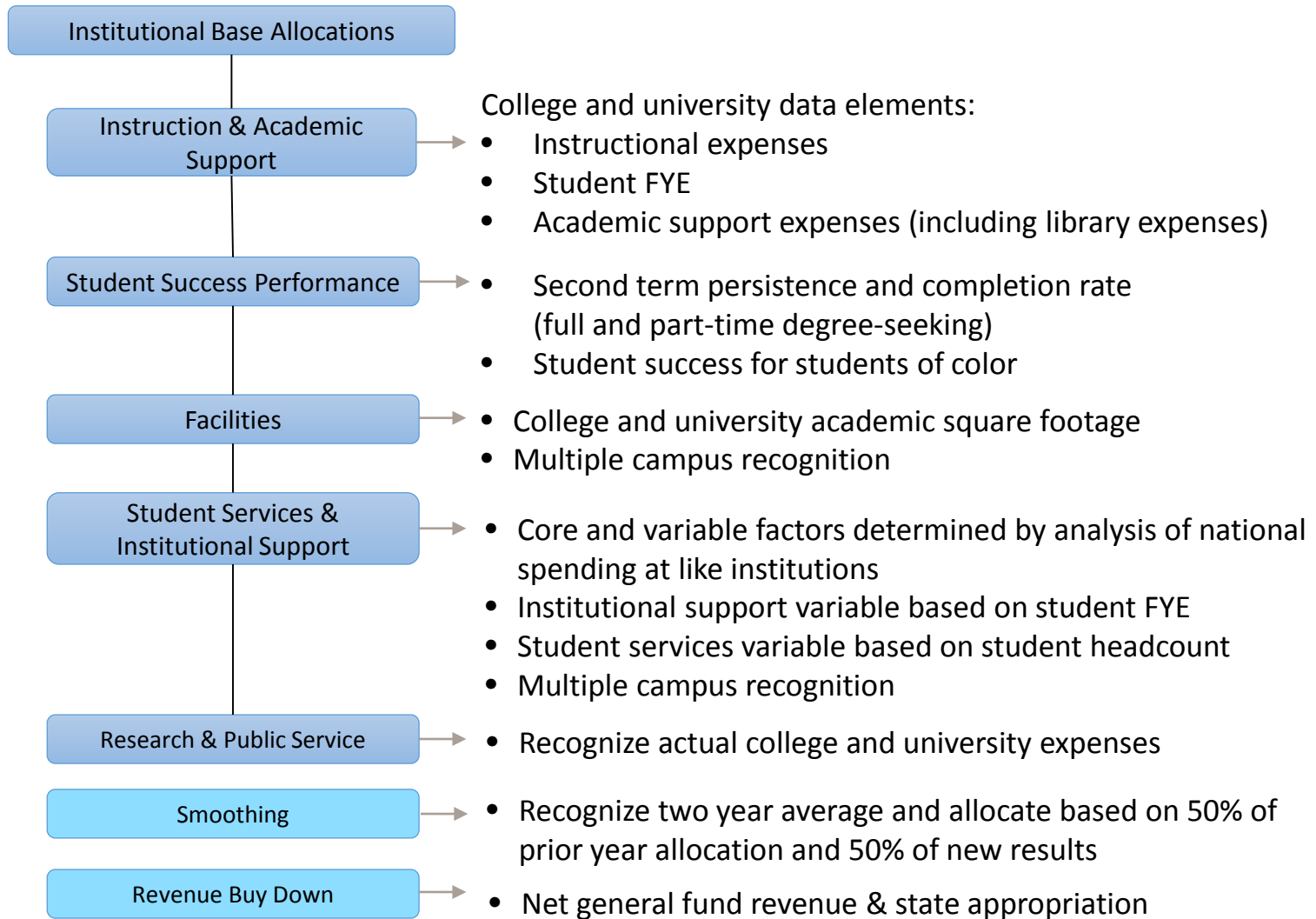
vs. Recommendations



Recommendations – Policy Objectives



Recommendations – Data Elements



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)

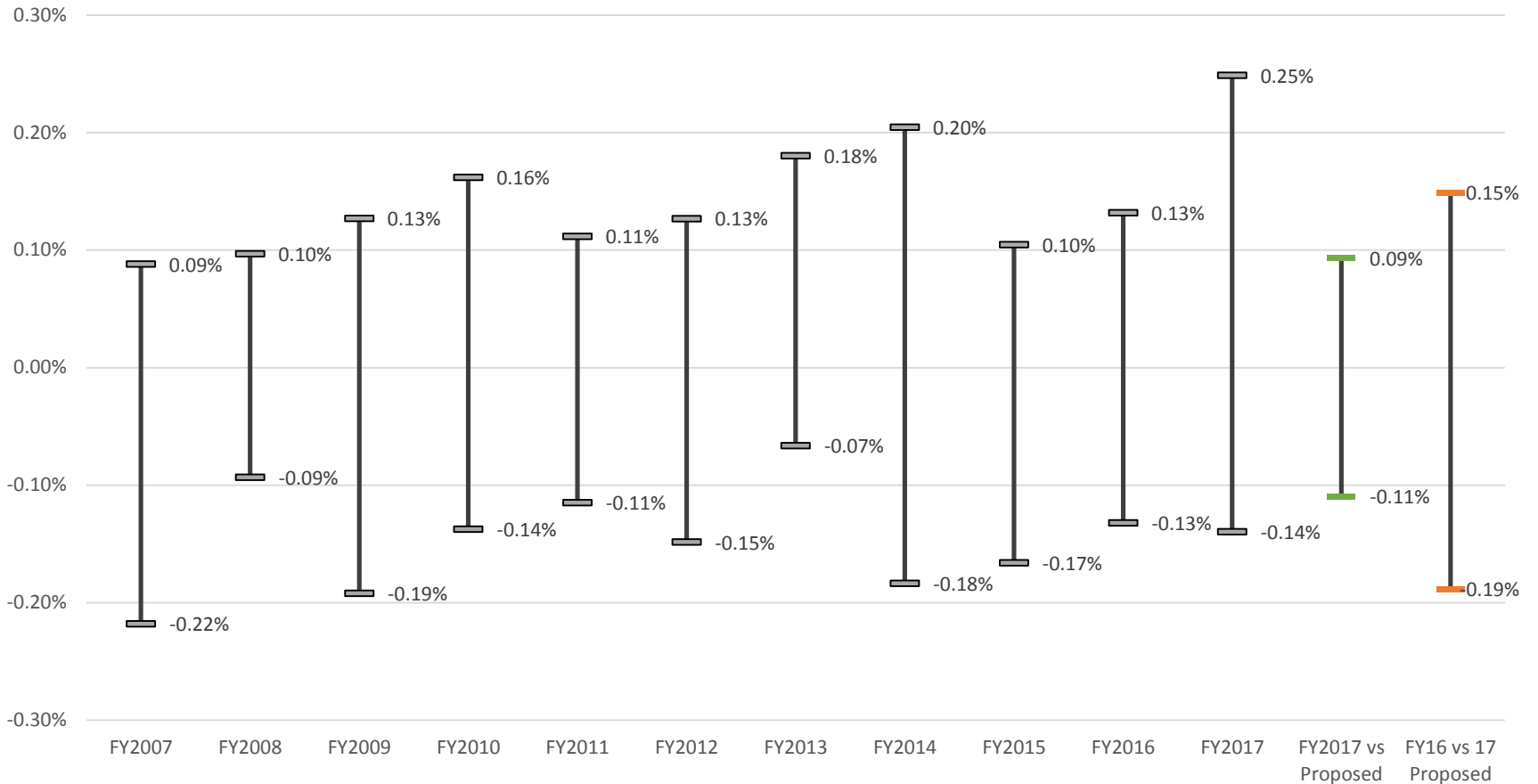
Policy objective:

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

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

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



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).

Other Recommended Changes to the Internal Financial Model

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

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

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

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

Continuous improvement

- The TAC will continue as the policy and 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.

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.

Questions and Discussion

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, examine unintended consequences and recommend adjustments the framework as needed. The Board of Trustees will be periodically advised of any material findings.

Transition period – Implementation of the new framework will begin with FY2018 allocations.

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 FY2020 allocation framework.

Student Services and Institutional Support – To better align resources with demand for student services, use headcount (rather than 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 FY2018 allocations, allocate results based 50 percent on the prior year's percent share and 50 percent on the results of the current year's allocation framework.

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 October 18, 2016

Title: FY2018-FY2019 Legislative Operating Budget Proposal Including 2017 Capital Bonding Strategy (First 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 Gen 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 first reading of this agenda item; consideration of approval of the recommended proposal is scheduled for November.

Scheduled Presenters:

Laura M. King – Vice Chancellor and CFO

Ron Anderson, Vice Chancellor of Academic and Student Affairs

Deb Bednarz –System Director for Financial Planning & Analysis

Brian Yolitz – Associate Vice Chancellor of Finance

First Reading

**BOARD OF TRUSTEES
MINNESOTA STATE**

BOARD ACTION
FY2018-2019 LEGISLATIVE OPERATING BUDGET PROPOSAL INCLUDING 2017 CAPITAL BONDING STRATEGY

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 first 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 keep our tuition affordable by funding inflationary costs at three percent each year of the biennium
- \$25 million to support ISRS Next Gen, 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 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 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 2018-2019 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: 10/19/16

Date of Implementation: 11/16/16



October 18, 2016

FY2018-FY2019 Legislative Operating Budget Proposal and 2017 Capital Bonding Strategy

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

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

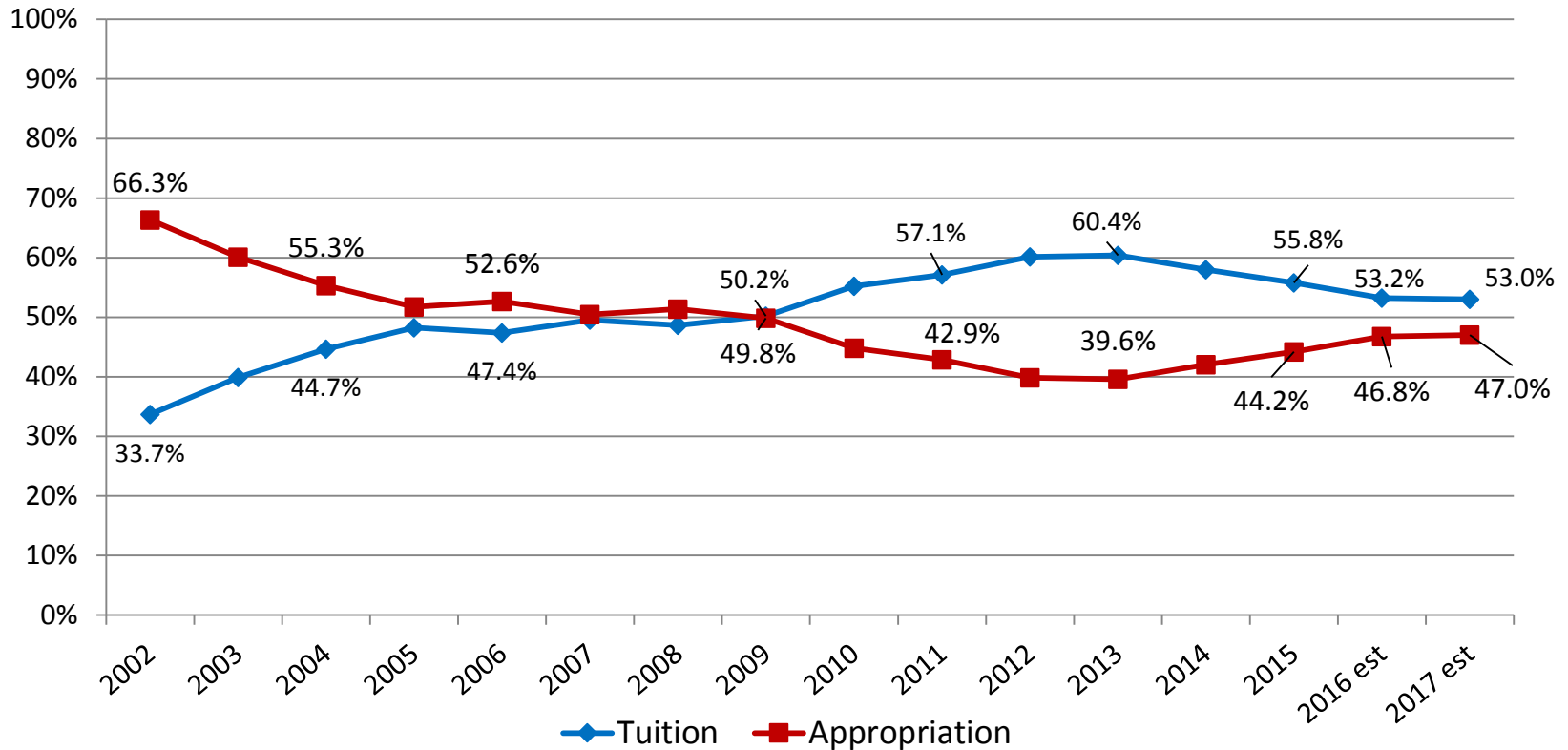
- Our students
- Our campuses
- Our communities



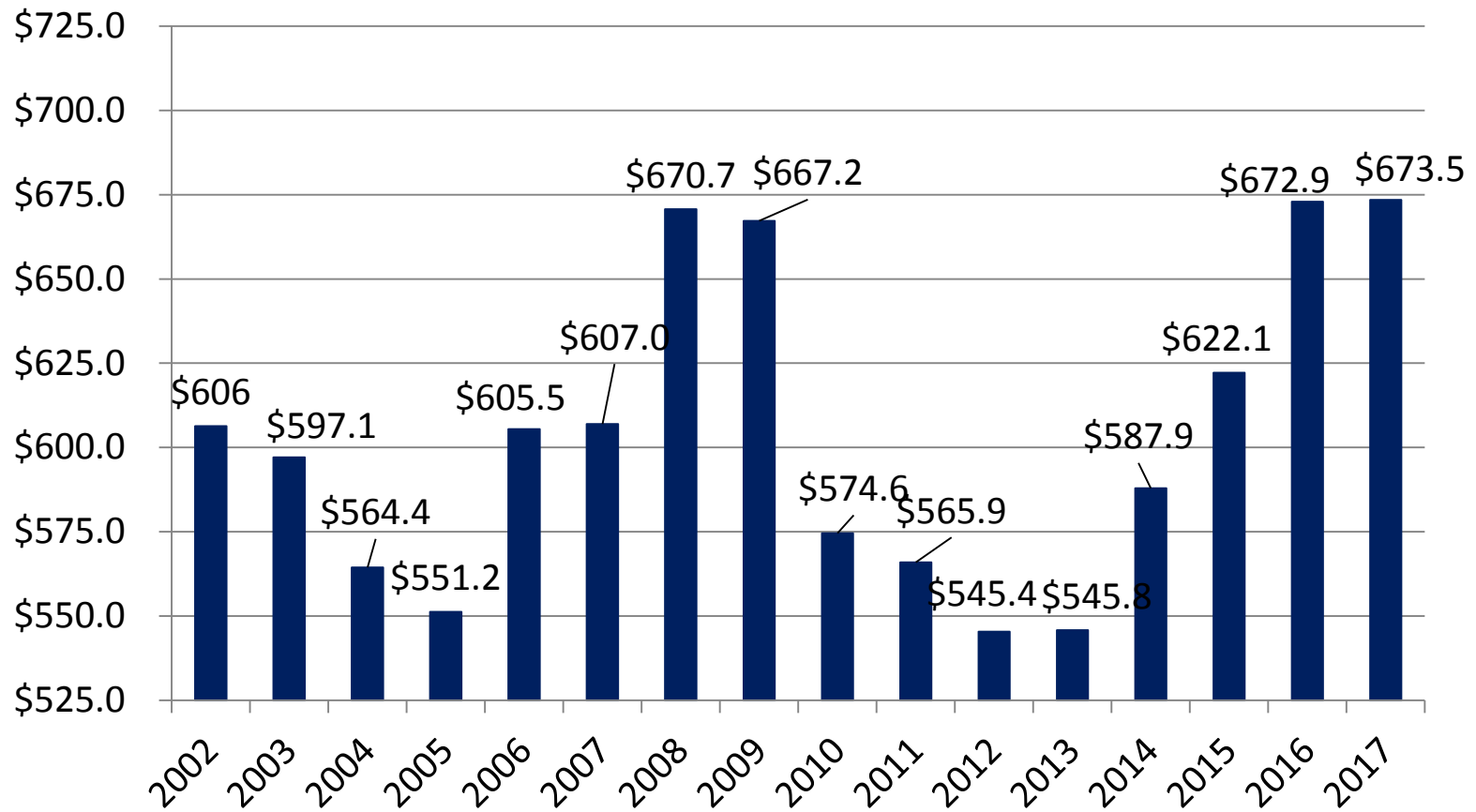
How important is state support?

- 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

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



State appropriation has increased in recent years after severe reductions



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

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

Recommended approach: Ask for what we need

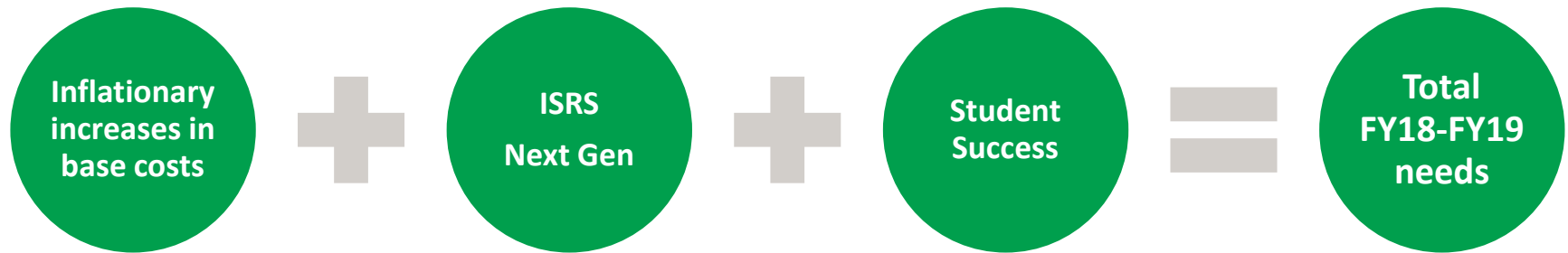
With a commitment from the board to hold tuition in FY2018 and FY2019 at FY2017 rates if the request is fully funded

- 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

Leadership Council voices 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

Total FY2018-FY2019 recommended incremental needs



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

- \$143 million to keep our tuition affordable by funding inflationary costs at three percent each year of the biennium
- \$25 million to support ISRS Next Gen, a mission-critical, multi-year technology infrastructure project to replace our out-of-date, unreliable enterprise technology system
- \$10 million in targeted financial support to help our students advance and succeed
- A total of \$60.1 million in FY2018 and \$117.9 million in FY2019

\$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

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

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)

Proposed scholarship and grant initiative aimed at reducing disparities

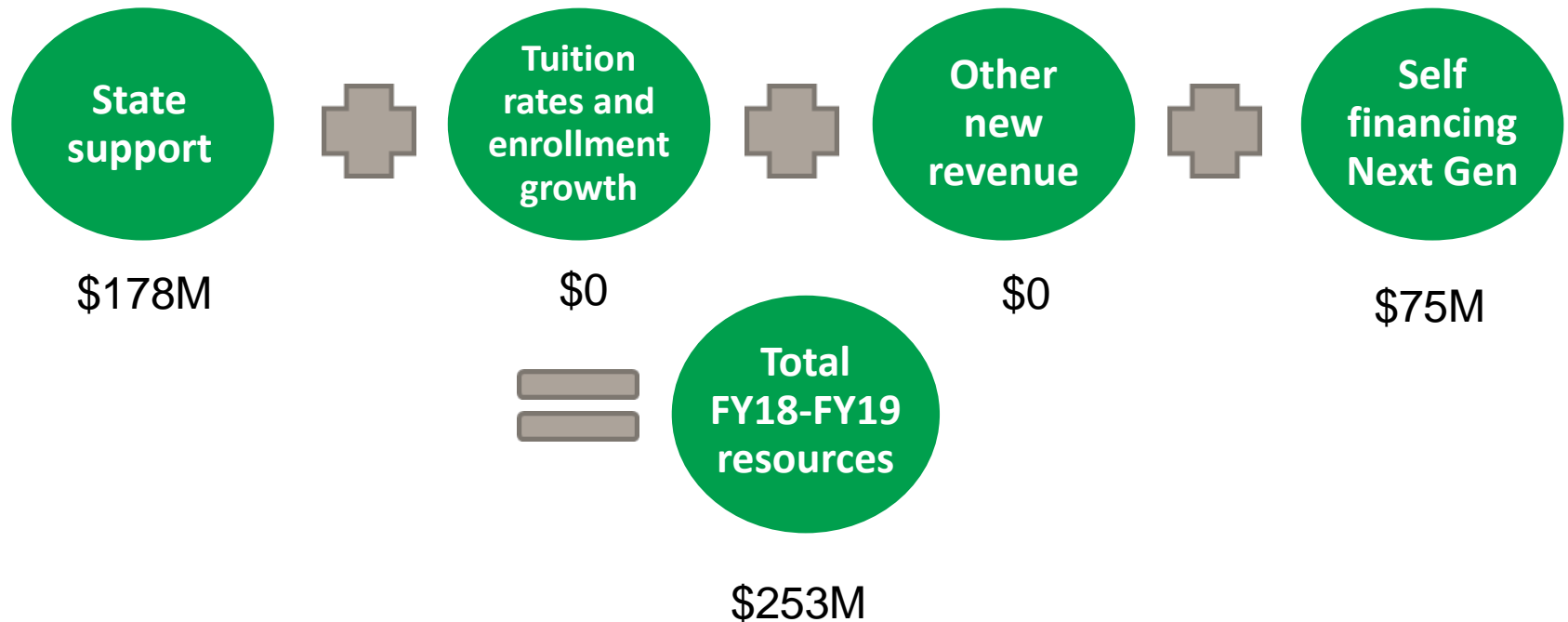
\$10 million in ongoing state support beginning in FY2019 to reduce outcome disparities and improve student success

- 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

Strategic investments that support students also benefit our communities

- Improve student success (particularly for underserved students)
- Reduce Minnesota's economic and racial disparities
- Meet Minnesota's critical need for talent

Proposed Sources of Incremental Funds for FY2018-FY2019



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

\$s in millions

Change Item	FY2018	FY2019	FY2018-19
Inflation	\$ 47.6	\$ 95.4	\$ 143.0
ISRS Next Gen	\$ 12.5	\$ 12.5	\$ 25.0
Student Incentive Grants		\$ 10.0	\$ 10.0
Total Request	\$ 60.1	\$ 117.9	\$ 178.0

FY2019 appropriation continues as base funding into the future.

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

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.

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.

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.

Questions and Discussion

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

Board of Trustees

Closed Session

Wednesday, October 19, 2016

8:00 AM

Minnesota State

Third Floor, Room 3310

30 7th Street East, St. Paul, Minnesota

Pursuant to Minnesota Statutes § 13D.05, subd. 3 (a) (2016) (Minnesota Open Meeting Law), the Board of Trustees will meet in a closed session for the chancellor's performance review. In addition to board members attending in person, additional board members may participate by telephone.

Chair Michael Vekich

- (1) Call to Order
- (2) Motion to Close the Meeting
- (3) Chancellor's Performance Review
- (4) Motion to End the Closed Session
- (5) Adjournment

Bolded items indicate action is required.



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

Name: Human Resources Committee

Date: October 19, 2016

Title: Closed Session

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:

- Status of negotiations and bargaining strategies with:

 - Inter Faculty Organization
 - Minnesota State College Faculty
 - Administrative and Service Faculty

Scheduled Presenter(s):

Mark Carlson, Vice Chancellor for Human Resources
Chris Dale, Senior System Director for Labor Relations

1 **BOARD OF TRUSTEES**
2 **MINNESOTA STATE COLLEGES AND UNIVERSITIES**
3

INFORMATION ITEM
CLOSED SESSION

4
5 **BACKGROUND**

6
7 Negotiations between Minnesota State and the faculty unions are in progress. In closed
8 session, the Human Resources Committee will hear the current status of the system's
9 upcoming collective bargaining obligation for Fiscal Year 2017 and 2019 with the
10 following faculty bargaining units:
11

- 12 • Inter Faculty Organization (IFO)
- 13 • Minnesota State College Faculty (MSCF)
- 14 • Minnesota State University Association of Administrative and Service Faculty
15 (MSUAASF)
16

17
18 *Pursuant to Minnesota Statutes § 13D.03, Closed Meetings for Labor Negotiations*
19 *Strategy (Minnesota Open Meeting Law) (2016)*
20

21 *Date: October 19, 2016*
22



MINNESOTA STATE

Human Resources Committee
October 19, 2016
10:15 AM
McCormick Room, Fourth Floor

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 April 20, 2016, May 18, 2016, and June 22, 2016**
- 2. Authorization to Enter Negotiations**

Committee Members:

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

Bolded items indicate action is required.



**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
HUMAN RESOURCES COMMITTEE
MEETING MINUTES
April 20, 2016**

Human Resources Committee Members Present: Dawn Erlandson, Chair; Ann Anaya, Vice Chair; Trustees Margaret Anderson Kelliher, Duane Benson, Elise Bourdeau, Alexander Cirillo and Robert Hoffman

Human Resources Committee Members Absent: None.

Other Board Members Present: John Cowles, Phillip Krinkie, Maleah Otterson, Thomas Renier, Louise Sundin, and Michael Vekich.

Leadership Council Members Present: Steven Rosenstone, Chancellor; Mark Carlson, Vice Chancellor for Human Resources.

The Minnesota State Colleges and Universities Human Resources Committee held its meeting on April 20, 2016, at Wells Fargo Place, 4th Floor, Board Room, 30 East 7th Street in St. Paul. Chair Erlandson called the meeting to order at 9:07 a.m.

1. Minutes of March 16, 2016

Chair Erlandson called for the motion to approve the minutes of the Human Resources Committee on March 16, 2016. The minutes were moved, seconded and passed without dissent.

2. Succession Planning

Vice Chancellor Carlson introduced Anita Rios, System Director for Talent Management; Joyce Helens, President, St. Cloud Technical and Community College; Deb Holstad, CHRO, St. Cloud Technical and Community College; Kristina Keller, Associate VP, St. Cloud Technical and Community College; Laura Urban, President, Alexandria Technical and Community College; and Shari Maloney, CHRO, Alexandria Technical and Community College, who were all present at the table. He went on to describe MnSCU's current succession planning efforts that some of our college leaders are implementing.

Ms. Maloney, current chair of the Succession Planning Committee shared that to date, the committee has worked with seven pilot institutions, including:

1. Alexandria Technical and Community College
2. Anoka Ramsey Community College
3. Anoka Technical College
4. Hennepin Technical College
5. Riverland College
6. St. Cloud Technical and Community College
7. Southwest State University

President Helens and President Urban shared current campus succession planning efforts and possible next steps. Following President Helens and President Urban's presentation, trustees were invited to comment and ask questions.

4. Appointment of President of Bemidji State University/ Northwest Technical College

Chancellor Rosenstone stated that upon the announcement of President Richard Hanson's retirement, a national search was initiated for a new president of Bemidji State University/ Northwest Technical College. The executive search firm EFL Associates was retained to assist with the recruitment for this position, and Connie Gores, president of Southwest Minnesota State University, served as search chair. After careful consideration of information received from each element of the interview process, Chancellor Rosenstone recommended Faith Hensrud to serve as the next president of Bemidji State University/ Northwest Technical College.

The Board of Trustees, upon the recommendation of Chancellor Rosenstone, appoints Faith Hensrud as president of Bemidji State University/ Northwest Technical College effective July 1, 2016, subject to the completion of an employment agreement. The board authorizes the chancellor, in consultation with the chair of the board and chair of the Human Resources Committee, to negotiate and execute an employment agreement in accordance with the terms and conditions of the MnSCU Personnel Plan for Administrators.

The motion passed without dissent.

5. Appointment of President of Metropolitan State University

Chancellor Rosenstone stated that Dr. Devinder Malhotra has served as interim president of Metropolitan State University since the retirement of President Sue Hammersmith in 2014. A national search was initiated for Metropolitan State University in the fall of 2015. The executive search firm EFL Associates was retained to assist with the recruitment for this position, and Scott Olson, president of Winona State University, served as search chair. After careful consideration of information received from each element of the interview process, Chancellor Rosenstone recommended Virginia Arthur to serve as the next president of Metropolitan State University.

The Board of Trustees, upon the recommendation of Chancellor Rosenstone, appoints Virginia Arthur as president of Metropolitan State University effective July 1, 2016, subject to the completion of an employment agreement. The board authorizes the chancellor, in consultation with the chair of the board and chair of the Human Resources Committee, to negotiate and execute an employment agreement in accordance with the terms and conditions of the MnSCU Personnel Plan for Administrators.

The motion passed without dissent.

The meeting adjourned at 9:57 a.m.

Respectfully submitted,

Pa Yang, Recorder

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
HUMAN RESOURCES COMMITTEE
MEETING MINUTES
May 18, 2016**

Human Resources Committee Members Present: Dawn Erlandson, Chair; Trustees Margaret Anderson Kelliher, Duane Benson, Elise Bourdeau, Alexander Cirillo and Robert Hoffman

Human Resources Committee Members Absent: Ann Anaya, Vice Chair.

Other Board Members Present: Kelly Charpentier-Berg, John Cowles, Maleah Otterson, Thomas Renier, and Michael Vekich.

Leadership Council Members Present: Steven Rosenstone, Chancellor; Mark Carlson, Vice Chancellor for Human Resources.

The Minnesota State Colleges and Universities Human Resources Committee held its meeting on May 18, 2016, at Wells Fargo Place, 4th Floor, Board Room, 30 East 7th Street in St. Paul. Chair Erlandson called the meeting to order at 9:32 a.m.

1. Appointment of Interim President of Rochester Community and Technical College

Chancellor Rosenstone stated that Joyce Helens has been serving as interim president of Rochester Community and Technical College since January of this year, while a national search was undertaken. Despite best efforts, the search process did not identify a pool of candidates of sufficient quality from which to forward semifinalists to the campus and eventually recommend to the board for appointment. After careful consideration of information received from each element of the interview process, Chancellor Rosenstone recommended Mary Davenport as interim president of Rochester Community and Technical College.

The Board of Trustees, upon the recommendation of Chancellor Rosenstone, appoints Mary Davenport as interim president of Rochester Community and Technical College effective July 1, 2016, subject to the completion of an employment agreement. The board authorizes the chancellor, in consultation with the chair of the board and chair of the Human Resources Committee, to negotiate and execute an employment agreement in accordance with the terms and conditions of the MnSCU Personnel Plan for Administrators.

The motion passed without dissent.

The meeting adjourned at 9:41 a.m.

Respectfully submitted,
Pa Yang, Recorder

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
HUMAN RESOURCES COMMITTEE
MEETING MINUTES
June 22, 2016**

Human Resources Committee Members Present: Ann Anaya, Vice Chair; Trustees Margaret Anderson Kelliher, Duane Benson, Elise Bourdeau, Alexander Cirillo and Robert Hoffman

Human Resources Committee Members Absent: Dawn Erlandson, Chair.

Other Board Members Present: Kelly Charpentier-Berg, John Cowles, Maleah Otterson, Thomas Renier, and Michael Vekich.

Leadership Council Members Present: Steven Rosenstone, Chancellor; Mark Carlson, Vice Chancellor for Human Resources.

The Minnesota State Colleges and Universities Human Resources Committee held its meeting on June 22, 2016, at Wells Fargo Place, 4th Floor, Board Room, 30 East 7th Street in St. Paul. Vice Chair Anaya called the meeting to order at 12:29 p.m.

1. Appointment of Interim President of St. Cloud State University

The tragic passing of Earl Potter necessitated that Chancellor Rosenstone recommend to the board an interim president of St. Cloud State University. Chancellor Rosenstone stated that it is important there be continuity in leadership. Last week, Chancellor Rosenstone appointed Dr. Ashish Vaidya, St. Cloud State's provost and vice president for academic affairs, as acting president. At this time Chancellor Rosenstone recommended Dr. Ashish Vaidya as interim president of St. Cloud State University.

The Board of Trustees, upon the recommendation of Chancellor Rosenstone, appoints Dr. Ashish Vaidya as interim president of St. Cloud State University effective June 23, 2016, subject to the completion of an employment agreement. The board authorizes the chancellor, in consultation with the chair of the board and chair of the Human Resources Committee, to negotiate and execute an employment agreement in accordance with the terms and conditions of the MnSCU Personnel Plan for Administrators.

The motion passed without dissent.

The meeting adjourned at 9:41 a.m.

Respectfully submitted,
Pa Yang, Recorder

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

Name: Human Resources Committee

Date: October 19, 2016

Title: Authorization to Enter Negotiations

Purpose (check one):

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

Brief Description:

The Board will consider whether to authorize the Vice Chancellor for Human Resources to enter into negotiations with the Minnesota State College Faculty, Minnesota State University Association of Administrative, and Service Faculty, and System Administrators prior to the expiration of the current collective bargaining agreements for the purpose of establishing a paid parental leave benefit.

Scheduled Presenter(s):

Mark Carlson, Vice Chancellor for Human Resources

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

BOARD ACTION
AUTHORIZATION TO ENTER NEOGOTIATIONS

PURPOSE

Minnesota Management and Budget (MMB) had entered into negotiations for a paid parental leave benefit with the exclusive representatives for the state-wide bargaining units other than the three faculty units with whom Minnesota State negotiates. The negotiations conducted by MMB took place prior to the expiration of the current collective bargaining agreements. The board is being asked to authorize Vice Chancellor of Human Resources to enter into similar negotiations with state college instructional unit (unit 210), represented by Minnesota State College Faculty (MSCF), and the state university administrative unit (unit 211), represented by the Minnesota State University Association of Administrative and Service Faculty (MSUAASF). Such negotiations will not occur with state university instructional unit (unit 209), represented by the Inter Faculty Organization, as that unit previously negotiated a paid parental leave benefit during the regular course of collective bargaining.

RECOMMENDED COMMITTEE ACTION:

The Human Resources Committee recommends that the Board of Trustees authorize 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.

RECOMMENDED BOARD ACTION:

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.



MINNESOTA STATE

Board of Trustees Meeting
Wednesday, October 19, 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.

Wednesday, October 19, 2016, 10:30 AM

Call to Order

Chair's Report, Michael Vekich

- **Report of the Closed Session on the Chancellor's Performance Review**

President Emeriti Recognition

Chancellor's Report, Steven Rosenstone

Consent Agenda

a. Meeting Minutes

- 1. Study Session: Report of the Long-Term Financial Sustainability Workgroup, June 21, 2016**
- 2. Study Session: Charting the Future Update, June 22, 2016**
- 3. Board Meeting, June 21-22, 2016**
- 4. Board Meeting, July 8, 2016**
- 5. Executive Committee, August 11, 2016**
- 6. Board Meeting, September 21, 2016**

b. Authorization to Enter Negotiations

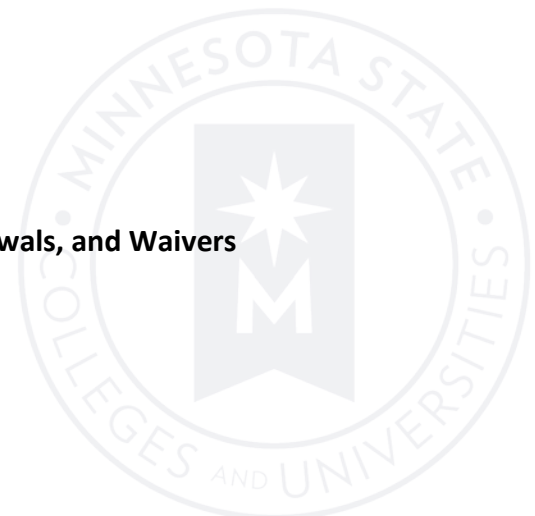
Board Policy Decisions

Proposed Amendments (Second Readings)

- a. Policy 2.10 Student Housing**
- b. Policy 5.12 Tuition and Fee Due Dates, Refunds, Withdrawals, and Waivers**

Student Associations

- a. Minnesota State College Student Association
- b. Students United



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. Audit Committee, Chair Bob Hoffman
 1. Internal Audit Department Planning
 2. Roles and Responsibilities of Audit Committee Members

- b. Academic and Student Affairs Committee, Chair Alex Cirillo
 1. Overview of Academic and Student Affairs
 2. Developmental Education Redesign

- c. Finance and Facilities Committee, Chair Jay Cowles
 1. ISRS NextGen Update
 2. Internal Financial Model and Allocation Framework Redesign
(First Reading)
 3. FY2018-FY2019 Legislative Operating Budget Proposal Including 2017 Capital Bonding Strategy
(First Reading)

- d. Human Resources Committee, Chair Dawn Erlandson
 - Report of the Closed Session on Labor Negotiations

Trustee Reports

Other Business

- Chancellor Search, Chair Vekich

Adjournment

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

BOARD ACTION
EMERITI RECOGNITION

1 **BACKGROUND**

2 Pursuant to Board Policy 4.8, Emeritus Status, Chancellor Rosenstone will present his
3 recommendation to confer presidential emeritus status upon the following presidents,
4 who have served as presidents in good standing and retired in 2015:

- 5
- 6 • Richard Hanson, serving as president at Bemidji State University/ Northwest Technical
 - 7 College from 2010-2016
 - 8 • Larry Lundblad, serving as president at Central Lakes College from 2006-2016
 - 9 • Earl Potter, serving as president at St. Cloud State University from 2007-2016

10
11

12 **RECOMMENDED MOTION**

13 Upon the recommendation of Chancellor Steven Rosenstone, and in recognition that they have
14 served with great distinction, the Board of Trustees hereby confers the honorary title of
15 President Emeritus upon Richard Hanson, Bemidji State University/ Northwest Technical; Larry
16 Lundblad, Central Lakes College; and Earl Potter, St. Cloud State University.

17
18

Date of Approval: October 19, 2016

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

Name: Board of Trustees

Date: October 19, 2016

Title: Emeriti Recognition

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 4.8, Emeritus Status

Recommendation for emeritus status on the following presidents who retired in 2016:

- Richard Hanson, Bemidji State University/ Northwest Technical College
- Larry Lundblad, Central Lakes College
- Earl Potter, St. Cloud State University

Scheduled Presenter(s):

Steven Rosenstone, Chancellor



MINNESOTA STATE

Board of Trustees Meeting
Wednesday, October 19, 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.

Consent Agenda

a. Meeting Minutes

- 1. Study Session: Report of the Long-Term Financial Sustainability Workgroup, June 21, 2016 (pp. 1-8)**
- 2. Study Session: Charting the Future Update, June 22, 2016 (pp. 9-12)**
- 3. Board Meeting, June 21-22, 2016 (pp.13-25)**
- 4. Board Meeting, July 8, 2016 (p. 26)**
- 5. Executive Committee, August 11, 2016 (pp. 27-28)**
- 6. Board Meeting, September 21, 2016 (p. 29)**

b. Authorization to Enter Negotiations (pp. 5-6 of the Human Resources Committee)



**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES STUDY SESSION
LONG-TERM FINANCIAL SUSTAINABILITY WORKGROUP
JUNE 21, 2016
McCORMICK ROOM
30 7TH STREET EAST
ST. PAUL, MN**

Present: Chair Michael Vekich, Trustees Ann Anaya, Margaret Anderson Kelliher, Duane Benson, Elise Bourdeau, Kelly Charpentier-Berg, Alex Cirillo, Dawn Erlandson, Robert Hoffman, Philip Krinkie, Maleah Otterson, Thomas Renier, Louise Sundin, and Chancellor Steven Rosenstone

Absent: Trustee Erma Vizenor

Presenters:

Steven Rosenstone, Chancellor

Phil Davis, Associate Vice Chancellor and Director of the Campus Service Cooperative

Laura M. King, Vice Chancellor for Finance

Jim Schowalter, former Minnesota Commissioner for Finance and current CEO of MN Council of Healthplans

Convene and Introduction

Chair Vekich convened the study session on the Long-Term Financial Sustainability Workgroup at 10:00 a.m.

Chair Vekich's Introduction

The success of the Minnesota State Colleges and Universities depends in large measure on our fiscal sustainability over time. The board fully appreciates that new revenue is not keeping up with costs, and therefore our ability to succeed is hampered, putting innovation and excellence at risk. The Long-Term Financial Sustainability workgroup was established to study and recommend strategies for long-term financial sustainability, to ensure the colleges' and universities' ability to serve students and communities across the state.

At the retreat last fall, the chancellor's charge to appoint a workgroup was endorsed. The Long-Term Financial Sustainability workgroup was established to study and recommend strategies for long-term financial sustainability to ensure that the colleges and universities can fulfill their mission over the next decade and beyond. The current financial model is not sustainable. If changes are not made, the ability to serve students and communities across the state is at risk. The workgroup notes that the situation is urgent and demands development of strategies that will enable improved services to students, the state, citizens and its communities.

First, the co-chairs of the workgroup will present the group's findings. Jim Schowalter, former Minnesota Commissioner for Finance and current CEO of MN Council of Health Plans, and a

member of the workgroup, will join them. Following that presentation, there will be an opportunity for clarifying questions. After the clarifying questions have been asked, consideration will be given to the recommendations. The board will again consider this work in September, after consultation has been thoroughly accomplished.

Chancellor Rosenstone's Introduction

Chancellor Rosenstone thanked all members of the workgroup, students, faculty and staff and provided the board with an explanation of the breadth and depth of the charge to this group. The workgroup was asked to develop recommendations that are bold, innovative, and transformative. Consultation will take place over the next four months; both formally and informally in order to ascertain opinions on the recommendations.

The recommendations are substantial and call for transformational leadership. The recommendations, if implemented, will have profound implications on the financial strategy of the system going forward, figuring out how the work is done to protect educational excellence, service to students across the state, the system workplan for 2017 and beyond, and development of the FY208-FY2019 biennial budget and legislative requests.

The next steps unfold over a four month consultation period. From July through October there will be informal consultations with bargaining units and student associations. Between August and October, there will be formal consultations at Meet and Confer sessions and meetings with the Minnesota State College Student Association and Students United. Discussions will also take place at the August Leadership Council meeting, with the board at the retreat in September, and there will be a meeting with presidents and cabinet. The vice chancellor - CFO, vice chancellor for human resources, and vice chancellor for academic and student affairs will consult with their colleagues throughout the system. Ultimately, a system work plan will be brought to the Board of Trustees meeting in October of 2016. The situation is urgent, and there must be a path that enables the future health as a system.

Report of the Long-Term Financial Sustainability Workgroup

Associate Vice Chancellor Davis reported that the members of the workgroup came together largely as strangers to each other. There was hard work to make sure all voices were heard and to chronicle differences of opinions about what to recommend. After group learning and analysis of what was learned, the group arrived at a consensus about some bold, creative, even controversial options for the board, the chancellor, and other stakeholders to consider. The eight months spent together represented one of the best examples of a learning community.

The financing model for public higher education in Minnesota and across the nation has broken down. It is not something that can be fixed with incremental changes. Achieving long-term financial sustainability requires systemic change. Without systemic changes to the way colleges and universities operate and deliver education, the financial future is unsustainable.

The workgroup was a diverse representation of the students, faculty, and staff of our colleges and universities, as well as community leaders who brought a wealth of experience and unique

perspectives. Associate Vice Chancellor Davis acknowledged the members present and asked them to stand for recognition.

A powerful charter was drafted by the workgroup early on. It served as a guide and frame to the research. The workgroup spent the first several months consuming information presented by internal and external experts and considering questions about the presentations as a way of developing deeper understanding about the information. All the information is posted on a SharePoint site and will soon be posted to the public website, making it available to all interested parties. Several members of the workgroup commented that the benefits of these thoughtful presentations were amplified when viewing them together, in one place, and thinking about potential solutions from the perspective of an eco-system rather than as discrete strategies that responded to distinct pieces of information.

Associate Vice Chancellor Davis welcomed Mr. Jim Schowalter and asked him to share the lessons learned and the framework provided for the recommendations. Mr. Schowalter stated that the process for groups like this is difficult to get right but this group did a good job. There must always be space for welcoming information even when it's uncomfortable information. There has to be leadership that allows for different thinking. The workgroup always felt like the opportunity to think differently was afforded. There was an opportunity given to step back and look at the bigger picture rather than just the incremental information. The long term trends are evident in the data when viewed in whole.

It all boils down to who is being served. In healthcare, there are lots of changes happening in the delivery system. This is also a common element in higher education. The recommendations were packaged in a way that raises the question of how to approach long-term financial sustainability in order to ensure students success. The team was thoughtful about recognizing things that have higher value than others, and things that have longer lead times.

Vice Chancellor King provided a roll-up of the research that was collected and its conclusions. Whether optimistic or conservative assumptions are used, the system's financial outlook hits a deficit within a year. The size of the deficit depends on assumptions about enrollment growth and operating cost inflation. This deficit is built into the revenue and expense structure. In general terms, there needs to be an increase in enrollment up to 6.3% per year to close the deficit, or an annual tuition increase of up to 7.3 % per year, or the system could look to the state for an increase in state funding of 7% per year. The workgroup decided that none of these options are a reasonable approach or address the underlining fundamental imbalance in the system's financial structure.

The graph in the board material models two scenarios of revenues and expenses projected over 10 years. The results are Case A which projects a \$66 million deficit and Case B which projects a \$475 million deficit. The difference in the assumptions used to build these outlooks relates to enrollment, state support, and tuition and cost inflation. The workgroup members may have had a general awareness of the data, but the work provided them with an opportunity for a deeper dive and a stronger understanding of this information. The workgroup brought a new set of eyes and new thinking to the problem. The graphs provided in the board packet shows that tuition has

grown from 33% of revenues to 50% of revenues over the years while state appropriation has declined from 67% to 47%. State support has fallen from 5.5% of the state budget in 1995 to 3.2% in 2017 for MnSCU. There would need to be an increase in state appropriation of over \$200 million a year in order to return this relationship to its historic place.

The workgroup also looked at other historical factors. It is notable that colleges and universities received most of their revenue from two sources; state appropriation and tuition. The workgroup took a look at other revenue sources to see what potential they held. Some of the items looked at were customized training and continuing education. There are efforts underway to grow that work. Another option examined was the benefit of growing graduate education. Enrollment growth overall holds great potential. Increasing retention alone would generate \$8 million a year. These strategies are worth pursuing and there are efforts underway to pursue all of them.

One of the most powerful presentations to the workgroup concerned the demographics of current and future students. There is strong growth among students of color and American Indian students, and the average age is over 26 years. The students are substantially eligible for Pell grants which are used as a proxy for income status. Typical enrollment is on a part-time basis and the students come from families that do not have a college attendance history.

The workgroup spent significant time trying to understand our environment and how student needs continue to change. The demographic shifts create an increase in cost because the range and scope of services have increased. The incoming student population is increasingly price sensitive. In order to serve our changing student populations, our way of doing business must change. The workgroup's recommendations were designed to address the principles created as a guideline. They are bold and broad reaching. We have also attempted to categorize the recommendations to ascertain the contribution each of the recommendations can make. Establishing a long-term financial sustainability strategy is key to success. The data presented has led to a series bold set of recommendations. Vice Chancellors Anderson and Carlson were invited to join at the table.

Workgroup's Recommendations

Associate Vice Chancellor Davis presented the recommendations:

Recommendation One

Captures the workgroup's belief that enormous benefits can be delivered to students when the collective wealth of colleges and universities is harnessed. This recommendation is related to work that is already underway—aligned curriculum, aligned online course and program offerings, customized training, transfer pathways, credentialing, branding efforts are all part of this recommendation.

Recommendation Two

Seeks to consolidate core business functions. This recommendation seeks to reconsider how we do business as a system—how to align our leadership to be economical and efficient while better serving students.

Recommendation Three

Calls on the system to build and expand partnerships with K-12 and other external agencies and groups to meet the needs of our changing student population. Some strategies suggest that we work to ensure students are prepared to enter college, and to grow the numbers of students who see college as possible and practical in their lives.

Recommendation Four

Asks the system to look at creative modifications to current labor practices in order to ensure that our students are able to access higher education where and when they need it.

Recommendation Five

Asks the system to re-calibrate its physical plant and space capacity to ensure access and opportunity for all students.

Vice Chancellor King gave closing remarks noting the principles that animated the group's work were guided by the system's strategic framework and an underlying belief that improving student success is key to the long-term financial sustainability of the colleges and universities. At the end of the presentation Chair Vekich welcomed clarifying questions.

Discussion

Trustee Anderson Kelliher asked if costs had been projected for all of the items. Vice Chancellor King referenced slide 13 and stated that the workgroup did not cost out the recommendations. After the work was completed and the report was compiled, the chairs took a look at the financial opportunities and the implementation requirements. That work will be done in the months ahead as the consultation process unfolds and the chancellor identifies the sequencing of the recommendations he's interested in pursuing.

Trustee Hoffman asked what is the state's role or commitment to higher education. Associate Vice Chancellor Davis responded that the workgroup does not see significant increases in the state's investment as a measurable contribution to the solution. Trustee Anderson Kelliher commented that it is disappointing that we are not asking for more from the state. Vice Chancellor King responded that the full report shows what has been happening and there can't be a focus on incremental change.

Trustee Benson thanked Mr. Schowalter for his participation and pointed out that there are a lot of similarities between healthcare and higher education and he would like to see a more brutal, deep review. Associate Vice Chancellor Davis pointed out that the report was cautious about diving too deeply into metrics in order to avoid being presumptive about decisions but recognizing frustration about not having some of the details. These are the kind of conversations that it was hoped that the report would elicit.

Trustee Renier asked whether, in reference to the share of the state's budget, it would be instructive to know what happened to the state budget during the examined time period in order to understand how state priorities have shifted. Vice Chancellor King responded that the chart provided in the board materials shows the operating budget data not only in percentages but also

in absolute dollars. It is more difficult to line up the state's priorities with the spending—there have been some significant policy changes referencing K-12 and healthcare as an example.

Mr. Schowalter appreciated the great question about how healthcare and education spending is an expanding portion of the general fund budget. It is best to start with the highest authorization and put it in K-12 as well as healthcare; not all healthcare but Medicaid and Medicare assistance through the state. Both have grown considerably over time. In looking at the graph from the board packet material, if 40% of the state's budget is K-12 and 30% is healthcare there are not a lot of slices left. If those keep growing, money will have to come from somewhere. There are only two other material budget elements: local government aid and higher education. What is seen as the slowly diminished share of the budget in higher education is not because of the policy shift as much as a series of smaller decisions over time of shifting where the state's resources go. The board can make assumptions about the state funding side, but the board's impact and control is in the area of tuition and enrollment management.

Trustee Anderson Kelliher expressed concern about enrollment and retention as it relates to revenue growth. This story is the same in a company, organization, and in nonprofit. If the only focus is on controlling expenses and there is no way of bringing in significantly more revenue or diversified revenue then the ideas presented will only go so far to fix the budget without coming to the next six or seven years and being at the same place.

Mr. Schowalter responded that if this report was just about cutting costs or raising revenues, he wouldn't be here. The goals of serving broader populations is significant. The workgroup attempted to figure out if there was something beyond lobbying a third party for more money and cutting costs.

Trustee Renier commented that during his twelve years on the board, he has witnessed presidents cutting and trying to rein in costs. We cannot continue to chip around the edges. We need across the board, system-level change to find any growth savings opportunities that will make an impact. We discuss capacity inequity across the state, but we cannot pick up buildings and move them. He cautioned the board to not decrease access in the name of 'right sizing' space. Things like following through on the campus service cooperative and shared centralized administration are important. Increasing enrollment is limited if you don't have the physical capacity to do it.

Trustee Anaya asked about the financial scenarios on page 11, whether the projection is on state appropriations and enrollment. Vice Chancellor King responded the material is the revenue drivers and expenditures. Trustee Anaya commented that it appears that the focus is standard related to internal spending and not focusing on the revenue generated through state appropriations. Vice Chancellor King responded that this is correct. There is no recommendation for increased state funding. Trustee Anaya commented we are not increasing appropriations and in fact have seen decreases over a decade. There has not been an explicit state policy shift away from public education. In looking at the comparison to healthcare, our role in shifting this paradigm is making the shift either intentional or addressed by the legislature. Could the recommendations include the continued data like; what will MnSCU look like in 2025, how

many institutions will still be in place, how many people can still afford to have the ability to educate?

Trustee Sundin commented that the committee should consider changing our requests, and being more creative and crisper about asking. There should be a consideration to offering the millennial generations a different way to fund not just their education but other people's education; perhaps a vote to become part of the solution.

Chancellor Rosenstone asked for clarification on the assumptions being made going forward with respect to state support (referencing the model) and what is the assumption of the incremental state support to be received to cover existing cost as opposed in projections with new costs associated.

Vice Chancellor King responded that the Case A assumption is a 1.1% annual appropriation increase year over year (historical experience) which smooths out cuts and zero years. Using biennial math, that's 3% biennially. Any additional tuition buy downs or new appropriations would be on top of the assumptions. Chancellor Rosenstone commented that the board's concern about increasing our state request is appreciated, but the workgroup wanted a more sober consideration of what we can or cannot assume as state investments beyond core functions.

Trustee Anaya expressed concern about not seeing gaps addressed in the recommendations. There aren't numbers attached to address the specific shortfalls; it could be assumed that it has to be figured out without any sources. Chancellor Rosenstone responded that the recommendation on page 13 of the report needs to be sharpened in precision and the variety of potential revenue streams. There will need to be realistic assumptions about what's doable. The revenue streams are gross and not net revenues. Vice Chancellor King responded that there needs to be more communication in order to put actions on the recommendations. Associate Vice Chancellor Davis commented that there has been some discussion about the imbalance in the revenue and that there was a distinction in the way cost cutting was discussed. The report rejects the incremental cost cutting that has been going on as a solution and asks the organization to be thoughtful about what needs to be changed. The rest of the report reflects a shift to doing business differently.

Trustee Otterson commented that it is not understood how the system is run when the capacity of the operation is not known. Referring to the third recommendation in the report on building partnerships, Trustee Otterson suggested considering work on university to college relationships.

Trustee Benson commented on page 13 of the report; asking for clarity on the growth potential of university and college market share. Vice Chancellor King responded the measurement is based on Minnesota market share. Vice Chancellor Anderson commented that there are some ways to come up with data — class capacity/unfilled seats, physical plant capacity, determining thresholds for when additional faculty/staff are added, etc. We have managed surges in enrollment due to recessions and other economic swings. It needs to be recognized that there would be additional costs for new and additional students and other support services. Trustee

Hoffman asked if our market share is growing every year. Vice Chancellor King commented that the colleges and universities have been gaining market share modestly over the years. Trustee Krinkie commented that the information provided is great and the recommendations are excellent. He asked whether there are any opportunities for thinking outside the box. There are only two people on the workgroup who are not directly involved or connected to the state college and university system.

Associate Vice Chancellor Davis commented that the composition of the group for the most part was connected to higher education and our system. However, all participants were provided with outside reading to draw their attention to other systems and creating new paradigms and encourage broad and creative thinking.

Trustee Krinkie commented that, “out of the box thinking” might include some or all of the following... campus closures, drastic reductions in the number of course offerings, more proportional tuition costs, sales tax options, national recruitment/marketing for online students. Vice Chancellor King responded that the report contains a lot of the flavor suggested and it wasn’t taken all the way to the finish line, but would expect in the days ahead that several of the ideas mentioned are included in the thinking, with the exception of the sales tax suggestion.

Trustee Cowles commented that one of the virtues of the project was a very good exchange of ideas across the organization. The workgroup participants exemplified very good listening skills, constructive conversation, and there was a great hunger for more of these discussions. One of the things that was very informative and helpful to the group was the amount of good details and factual information. As the variables and assumptions are considered in framing the recommendations we need to be mindful of the student demographics, the competitive market place in higher education, and how to demonstrate the needs with the legislators. The propensity to drive student retention needs to be demonstrated to the legislature. This is a good beginning and trustees’ engagement is welcomed. Trustee Cowles thanked Vice Chancellor King, Associate Vice Chancellor Davis, Vice Chancellor Anderson, and Vice Chancellor Carlson for their leadership on the workgroup.

Chair Vekich also thanked Trustee Cowles, Vice Chancellor King and Associate Vice Chancellor Davis, and the workgroup participants. The clear message is that the board is embracing what is here, and expecting more. Chair Vekich asked that those who will be providing input during consultation to please put aside personal and professional interests and seek what is best for the system.

Chancellor Rosenstone expressed great appreciation for the urgency of this charge and the report and stated that there will be a first reading of the FY2018-FY2019 legislative request in October. This work will inform the development of that request and the system’s thinking about what the next steps for these recommendations should be.

The study session adjourned at 11:50 a.m.
Respectfully submitted by
Maureen Braswell

**Minnesota State Colleges and Universities
Board of Trustees
Charting the Future Study Session Notes
June 22, 2016**

Present: Chair Michael Vekich, Trustees Ann Anaya, Duane Benson, Kelly Charpentier-Berg, Alexander Cirillo, John Cowles, Dawn Erlandson, Robert Hoffman, Margaret Anderson Kelliher, Philip Krinkie, Maleah Otterson, Thomas Renier, Elise Ristau, Louise Sundin, Erma Vizenor, and Chancellor Steven Rosenstone

Convene and Introduction

Chair Vekich called the study session for an update on Charting the Future to order at 10:50 AM. He expressed appreciation for the information provided within the three quarterly reports. He urged the board to consider what is presented and how lessons learned will impact other work occurring throughout the system.

Chancellor Rosenstone expressed his commitment to the promise of Charting the Future. He echoed Chair Vekich's appreciation for everyone involved. He remarked on the progress across initiatives over the past year and encouraged everyone to consider how our complex organization continues to engage and communicate as we move forward.

Jaime Simonson, managing director for government relations, and Ron Anderson, vice chancellor for academic and student affairs, presented the Charting the Future quarterly report to the board. Ms. Simonsen expressed her confidence in the commitment and skills of Vice Chancellor Anderson and Project Manager Nicole Merz as they continue to move Charting the Future forward in the coming year, as she transitions into her new role in government relations.

Work Plan Status

Director Simonsen reiterated that Charting the Future is a multi-year effort. She reviewed the goals, aspirations, and activities of the Charting the Future initiative, including the eight implementation teams in FY15, the recommendations provided, and the development of the FY16 work plan. FY16 saw the beginning of implementation across the initiatives.

Director Simonsen drew attention to the progress that has been made across all initiatives in FY16. All workgroups have submitted recommendations to the Leadership Council for their respective initiatives, all projects led by colleges/universities have completed 75% or more of the FY16 project tasks, and 19 of 21 projects led by vice chancellors have completed 100% of FY16 project tasks. She expressed the importance of the change efforts as the focus of our success, not just the progress of each initiative.

Director Simonsen identified the organizational and cultural change that was expressed, by campuses, in three key areas: collaboration, direction and communication. She reminded the board that the most important outcome of Charting the Future may not be in the initial work plan, nor the progress made on individual initiatives, but in developing our ability to work together and think differently in a more collaborative way.

Vice Chancellor Anderson provided additional information about the progress on specific initiatives, by division. Throughout FY16, colleges and universities have continued to report on initiatives that they are responsible for leading, while the vice chancellor's did the same for the initiatives they were responsible for leading. He expressed the good news that all colleges, universities, and divisions have made significant progress.

Vice Chancellor Anderson highlighted specific achievements within each division. Within Diversity and Equity, campuses have done a significant amount of work engaging their communities in the creation of diversity plans, which were submitted to Chancellor Rosenstone this past month. In Finance, the Technical Advisory Committee is in the process of developing a new allocation model. Preliminary recommendations have been drafted, shared, and are under review. In Human Resources, the HR-Transaction Service Model has made considerable progress. In ITS, progress is being made and the work will continue through FY17. Academic and Student Affairs has completed a significant amount of work. Recommendations have been submitted for each of the workgroups to the Leadership Council. Four transfer pathways are now completed, which campuses will begin preparing for implementation in the fall.

Vice Chancellor Anderson identified two initiatives that were slower to progress, including online strategy and comprehensive workplace solutions. He expressed confidence in the plans that have been put together to move the work forward in FY17.

Change Efforts Across the Organization

President Barbara McDonald, North Hennepin Community College, introduced the work of the Academic Planning and Collaboration workgroup. She presented information on the makeup of the workgroup (a representative group), the charge of the group, and the activities they undertook to come to the three recommendations they submitted to Vice Chancellor Anderson and the Leadership Council. The workgroup reviewed academic planning processes that occur at local campuses as well as across the nation. They received input from chief academic officers on academic planning as well as policy that exists regarding academic planning. She pointed out that the recommendations went to Leadership Council and the plan is that those recommendations will go forward to campuses for stakeholder input before moving the work forward.

President McDonald outlined the three recommendations that were submitted.

1. System policies and processes should ensure that academic planning drives budget, facilities, technology, diversity, and other planning priorities.
2. The system will have a comprehensive academic plan that provides a framework for the collective academic aspirations and priorities of system colleges and universities.
3. Each college and university will have a comprehensive academic plan that advances its distinctive mission, culture, and academic priorities.

Dani Heiny, chief diversity officer, Riverland Community College, introduced the diversity planning process at the college. She discussed the goals identified by Minnesota State Colleges and Universities: increase diversity with students, employees, and vendors, reduce achievement gaps, create more welcoming campus environments, and build partnerships with communities.

She discussed the diversity toolkit, template, and support provided by staff within the Diversity and Equity office at the system office. Riverland Community College President Adenuga Atewologun led the diversity planning process, which she expressed, made a big difference for Riverland, as it made it a priority. This work is repositioning Riverland to work to employee and student strengths, advance student priorities, and re-envision Riverland's future. The diversity plan identifies priorities for funding and focus in the coming years. Riverland is positioned as a change agent in the community. The college is gaining a reputation in the community as a bridge to success. The diversity planning process has allowed Riverland to align with the goals of Charting the Future. They will continue to meet the commitment of the board, Minnesota State Colleges and Universities, and the presidents to continue to do this work.

Suzie Bruser, chief human resources officer, Dakota County Technical College and Inver Hills Community College, introduced the HR-TSM model. Her work and commitment is focused on helping the colleges and universities human resources divisions get to where they need to be as a system. She articulated the collaborative nature of the process to develop this model. She noted that there is not always agreement, but the focus is always on what's best for employees and the system. The process has had challenges, including the change management that needs to occur as this model moves forward. The TSM model will allow human resources teams to focus on other much needed work that they currently don't have time to do because of all the processes that need to get done. Four service centers have been identified. She discussed the fear around what these service centers mean. They are having conversations with leadership and employees on what this means and what it looks like. Patience and support will be needed as they continue to move this major project forward.

FY17 Work Plan

President McDonald continued the discussion with how Charting the Future will move forward in FY17. The Leadership Council met in May to discuss the development process for the work plan. A small group of presidents developed a draft of that plan, and presented it to the Leadership Council in June. She articulated some of the changes that have been proposed for the plan, including the merging of certain overlapping initiatives, as well as the removal of those initiatives that became operationalized in FY16. Presidents articulated changes they wanted to see, the most important of which, was communication of continued progress.

Vice Chancellor Anderson discussed the lessons that have been learned around communication. The Coordinating Committee will be drafting an improved communication plan for the Leadership Council's review in August. Also, budget and resources that will need to be put in place or discussed as the work continues to move forward. Vice Chancellor Anderson expressed the importance of recognizing the impact that may not be tangible, but that we can "feel." In the coming months, Charting the Future's FY17 draft work plan will be finalized and shared out for stakeholder consultation. A revised draft and communication plan will be presented to Leadership Council in August. Following the adoption of the plan in September, Gantt charts will be completed.

Trustee Otterson expressed her thanks to Jaime Simonsen for all of her hard work. She asked the board to consider if the structure of Charting the Future represents what we need as we go forward. She commented that the process has not necessarily represented every group, identifying that she has heard that there have been a few problems. Chancellor Rosenstone identified that the Coordinating Committee's purposes is to resolve problems in various bargaining units.

Trustee Benson asked how time and resources are allocated for something that is quality related. How can we get assurance that all of these activities will result in increased quality? Vice Chancellor Anderson answered that the outcomes and assessment will be realized after full implementation. Chancellor Rosenstone expressed that various models have been presented to the board for regular updates or adoption, such as the HR-TSM and allocation model.

Trustee Sundin asked if there is a difference between implementation and operationalization. Vice Chancellor Anderson answered that we have used implementation broadly to include planning and beginning to operate in a certain way, but operationalize means that it is part of the fabric of our institutions and the work the institutions does, not a separate initiative.

Chair Vekich adjourned the study session at 11:34 am.

Minnesota State Colleges and Universities
Board of Trustees Meeting Minutes
June 21-22, 2016

Present: Chair Michael Vekich, Trustees Ann Anaya, Margaret Anderson Kelliher, Duane Benson, Elise Bourdeau, Kelly Charpentier-Berg, Alex Cirillo, Jay Cowles, Dawn Erlandson, Bob Hoffman, Philip Krinkie, Maleah Otterson, Thomas Renier, Louise Sundin, Erma Vizenor, and Chancellor Steven Rosenstone

Tuesday, June 21, 2016

Call to Order

Chair Vekich called the meeting to order at 1:30 PM. Trustees Dawn Erlandson and Erma Vizenor participated in the meeting by telephone.

Chair Vekich explained that the board will hear a summary and a recommended resolution for a branding strategy. The board will also hear a first reading of proposed amendments to Policy 3.23 Naming Colleges and Universities.

Branding Initiative Introduction

Chancellor Rosenstone commented that today we will reach closure on a priority that the board set several years ago. After many months of discussion, in the spring of 2014, the board instructed him to engage in the research and development needed to strengthen the Minnesota State Colleges and Universities brand and increase the understanding and visibility of our colleges and universities so we would have a platform to increase the awareness and understanding and could be used to help us grow enrollment. This priority was included in my 2014-2015 and 2015-2016 workplans. We began with research and proceeded based upon the findings from that research to sharpen our articulation of the strengths our colleges and universities uniquely share. Last spring, we reported the results of that research and outlined the work that was ahead of us. The board was enthusiastic, encouraging, and impatient in its review of phase one and repeatedly said “full speed ahead on the project.” This spring we updated you on several occasions on the progress and today we will review the brand initiative in its entirety and with your approval move to implementation this summer. Throughout the process, we have drawn upon the expertise of our presidents, and lead communicators from 17 of our colleges and universities, colleagues who served on the brand steering committee, and also relied on one of the nation’s top agencies, PadillaCRT, who brought their decades of expertise in helping organizations develop their brand strategies, visual and verbal identities, and experience that bring an organization to life for those it serves. Chancellor Rosenstone introduced Lynn Casey, the chairperson and CEO of PadillaCRT.

Brand Initiative Update

Chief Marketing and Communications Officer Noelle Hawton began the presentation. She introduced three members of the brand steering committee: key communicators Mary Jacobsen of Anoka Technical College and Anoka-Ramsey Community College and Scott Faust of Bemidji State University and Northwest Technical College, and President Barbara McDonald, North Hennepin Community College.

CMCO Hawton explained that over the years, the Board of Trustees often found itself debating anecdotal evidence that the name “Minnesota State Colleges and Universities” and the term “MnSCU” didn’t mean anything to our current students, prospective students, or their parents. The board directed the chancellor to do the research needed so a fact-based decision could be made on whether a brand initiative should go forward. In 2014, a Brand Steering Committee was formed, a robust RFP process was completed. Eighteen national firms responded, PadillaCRT was hired to conduct the requisite qualitative and quantitative research.

In March of 2015 the results of the Brand Steering Committee’s work and PadillaCRT’s research was presented to the Board of Trustees. The research showed that we have a problem and the facts convinced both the board and the Brand Steering Committee that we needed a different brand name and visual identity. The Brand Steering Committee was expanded and it conducted another robust and competitive RFP process, with PadillaCRT hired to do the creative development. The members of the Brand Steering Committee includes three college and three university presidents: Peggy Kennedy, Rassoul Dastmozd, Laura Urban, Dick Hanson, Dick Davenport and Earl Potter. The committee also included 17 key communicators from colleges and universities throughout the state, the two student associations, and representatives of every bargaining unit other than the IFO, who declined to participate.

In January of 2016, the board received an update on the project and the board’s response was a passionate impatience that the project wasn’t further along. Today marks the completion of all the milestones set in the timeline shared with the board last year.

CMCO Hawton reported that this has been an extremely consultative process. She traveled the state to confer with more than 150 marketers, communicators, foundation leaders, provosts and deans, as well as the presidents of all of the colleges and universities, and student leaders. Progress reports have been brought to state-level meet and confers.

CMCO Hawton summarized the qualitative and quantitative research findings completed in 2014 that are the foundation for this work.

- Prospective students do not know there is a difference between our colleges and universities, the University of Minnesota, or for-profit, and private colleges. They also do not know what “MnSCU” is.
- According to the research, many prospective students, parents, and community leaders think Minnesota State Colleges and Universities means all of the above. They do not understand which colleges and universities are the most affordable and accessible that will best prepare students for careers and for life.
- We do not have a way to help people understand that our colleges and universities are the ones that offer the most affordable, highest value, and highest quality option.

People don’t understand the value our colleges and universities offer, and meanwhile:

- Each year, Minnesota loses about 21% of its high school graduates to colleges outside our state.

- About 20,000 Minnesotans each year choose for-profit schools not understanding that they risk getting a sub-par education paired with a price tag that is five times more expensive than our colleges and universities which will leave them with a lot more debt.
- By the year 2020, 74% of jobs will require some sort of post-secondary education, but many Minnesotans do not understand that can mean a certificate, as well as an associate's or baccalaureate degree.

CMCO Hawton added that we can help Minnesotans understand that our colleges and universities are the highest value, lowest cost option with an endorsement brand strategy that works to tell the shared story of all of our colleges and universities affordability, quality, accessibility, value and talent. A good example of a well-executed endorsement brand strategy is the relationship between the NFL and the Minnesota Vikings. We love our Minnesota Vikings just as much as our neighbors to the east love their Green Bay Packers. Both of these brands are really strong brands on their own. But loyal fans to these teams also know that these teams belong to the NFL, and that being affiliated with the NFL makes their team a premier team, a credible team. NFL signifies a level of quality. But, another aspect of the NFL brand is it is not interested in undermining Minnesota's loyalty to its Vikings or Wisconsin's loyalty to its Packers, and it is not interested in inserting itself into the fan/team relationship. Similarly, our use of an endorsement strategy is designed to help prospective students and parents understand who our colleges and universities are, as well as help to increase enrollment, but not to undermine the brand loyalty students and alumni feel for their individual schools.

The research did reveal some good news that we can build upon.

- The research found that 73% of prospective students and 61% of parents who know something about our colleges and universities agreed that affordability, geographical accessibility, and talent development were good descriptors for Minnesota State Colleges and Universities.
- These attributes are what makes us different. In addition to an extraordinary education, these attributes are the pillars of the brand our students and business partners experience every day. And, these brand attributes are what prospective students and parents seek as they "shop" for a college or university.

By strengthening our shared brand, and leveraging it once we have done so, we can build upon the collective attributes people understand about us and work to:

- Increase awareness of all our colleges and universities, and help them grow enrollments by proactively and collectively telling our stories of accessibility, affordability, value, excellence, and community, and business partnerships.
- Become known more widely for our shared attributes of quality, accessibility, affordability, and talent.
- Compete more effectively by telling the powerful story of the value our colleges and universities deliver compared to other institutions.

- Communicate how our colleges and universities work together, highlighting credit transferability, degree laddering, and being able to take courses from any Minnesota State college or university.
- Leverage our advertising dollars more strategically as much of our current marketing efforts are spent competing for students from one another vs. from outside institutions.

CMCO Hawton observed that this last point creates a platform from which to create joint marketing, which will increase awareness and understanding of our colleges and universities. Investing a relatively small amount over the span of the last three years compared to the \$1.9 billion overall operating budget for this entire enterprise to grow enrollments has been very prudent and wise. In fact, if the branding effort helps our colleges and universities recruit just 58 additional students who enroll for two years at any of our colleges or universities, we will have recouped 100% of the entire branding initiative investment to date. If the branding effort recruits 200 students who enroll for two years, the increase in revenue to our colleges and universities will be approximately \$2 million.

CMCO Hawton explained that the brand promise is a concise way of describing who we are and the value we bring.

Minnesota State is a system of colleges and universities united to provide an extraordinary education that is affordable and accessible, enhancing quality of life, and ensuring prosperous communities.

These are the Minnesota State brand attributes that the brand steering committee collectively worked on. They are short, concise ways to describe all the ways our students and community experience our colleges and universities collective impact.

At the May 2016 Board of Trustees meeting, the visual identity options that the Brand Steering Committee had considered were presented. The recommended name and design, a ribbon with a star at the top and the letter “M” underneath, is bold, clean, modern, and brings forth a design element from our old identity in the evolved Northern Star.

The Brand Steering Committee has been busy working on the manual that will implement the visual identity and how the individual colleges and universities would represent their affiliation with Minnesota State.

CMCO Hawton commented that we are not changing our legal name, which is written in statute. This brand is about doing away with the name “MnSCU” and starting to refer to ourselves as Minnesota State. One way we can leverage the new logo to tell our collective story is to have the ability to add a tagline when it makes sense. This has been of particular interest to the Brand Steering Committee, and President Richard Davenport commented at the presentation in May on how important the tagline will be to telling our story. Many taglines were brainstormed, but we kept coming back to “extraordinary education, exceptional value,” descriptors we began using last year as the most accurate, inspiring way to describe the value we bring.

Examples of the letterhead that will be used for the Board of Trustees and the colleges and universities were displayed. Colleges and universities will be asked to add a sentence below their name that says “A member of the Minnesota State system” or “A member of Minnesota State.” For electronic letterhead, we would like these changes to occur by September 1, 2016.

Pre-printed letterhead with the old identity should be used up before ordering letterhead with the new identity. The colleges and universities will have two options on mailers and brochures – either a horizontal or vertical approach, depending on the space available.

CMCO Hawton noted that monument signs pose a problem as no colleges or universities have the same sign, and some colleges and universities have multiple styles of signs. Many signs also have challenges with space and landscaping. Most colleges and universities do not currently identify themselves on their monument sign as being a part of the system. For colleges and universities like Century College or Dakota County Technical College that have the MnSCU logo or identity on it, they are asked to change to the new identity by June 30, 2017. For others that do not have the logo or identity, we will work with the marketing teams at these schools to determine an appropriate approach to include our system identifier and will give them July 1, 2018 to make this change.

A small but very effective way for our students and prospects to begin to be aware of a college or university's affiliation with the system is by including our logo mark on all spirit wear and other products sold in our book stores. The presentation included illustrations of logos on jerseys, caps, water bottles, and mugs.

Implementation Timeline

CMCO Hawton summarized the timeline for implementation:

June 2016

- Board resolution
- First reading of amendments to Board Policy 3.23
- Circulate draft of System Procedure 3.23.1 for consultation

Ongoing

- Use up letterhead and collateral with current MnSCU system affiliation identifier

July – August 2016

- Consultation on System Procedure 3.23.1
- System office identity change
- Develop collaborative marketing plan for October and in March/April

September 1, 2016 (or earlier)

- Implement System Procedure 3.23.1
- Presidents submit their implementation plans to the chancellor
- Revise electronic letterheads to include new system affiliation identifier
- New system affiliation identifier on newly printed mailers and brochures
- Begin to implement collaborative marketing plan

October

Second reading Board Policy 3.23, December 31, 2016 (or earlier)

- Change college and university website system affiliation identifier
- Change look of current MnSCU web site to reflect new brand

June 30, 2017 (or earlier)

- Change monument signs with current MnSCU identifier to new system affiliation identifier
- All logo merchandise and apparel includes Minnesota State system affiliation identifier

June 30, 2018 (or earlier)

- Change monument signs without current MnSCU identity to include new system affiliation identifier.

Regarding assessment, CMCO Hawton said that the first few areas will be internally focused – such as achieving brand adoption by all the colleges and universities, and then working together to more collaboratively tell stories that only our system can tell – stories that support the messages of an extraordinary education, affordability, accessibility, value, and talent development. Then, once we have brand adoption, and are delivering our messages through many different distribution channels, we can set about to measure our effectiveness benchmarked against the original research. In conclusion, CMCO Hawton commented that the most important metric is the increase in enrollments.

CMCO Hawton invited Lynn Casey to make some comments. Ms. Casey spoke about the process. PadillaCRT has been doing this work for decades. This is the most emotionally charged work that PadillaCRT gets involved in because we are talking about identity and change at a very fundamental level. It is true whether an organization is acquiring another organization or whether an organization decides to explore a collective story, as is the case in this project. There are three critical success factors for a brand assignment to go well and this project met all three. The first is fact-based. There are assignments that PadillaCRT and our peer companies have gotten involved in where a change in the name is de facto and the research phase is there to prove that out. That was not the case in this situation. Whoever set up this project to begin with broke it into two RFP processes: Phase one being the research and phase two being some kind of a deliverable if the research proved it out. The research showed that there is definitely a platform from which to build a whole that is greater than the sum of its parts, while the parts do their thing as beautifully as they have always done. The first critical success factor is fact finding without any preconceived notions. The second critical success factor is a broad based coalition. The team that came together had broad representation with day-to-day input. Additional input was sought during broader consultation throughout the state. The third factor for success is process integrity. At this point in the process, the emotions can sometimes trump the research findings. The integrity of the process is driven by what we found which is that there are definitely opportunities to tell a bigger story than the individual colleges and universities could not and should not do. The research also told us that there was a good deal of affinity in many part of this state by the people who were going to decide on a school and influence that decision for the local organizations. That is where the co-branding, sponsor-branding solution emerged.

Ms. Casey commended the brand team for their work. She also thanked the trustees, the chancellor, and CMCO Hawton.

CMCO Hawton displayed the recommended motion, which read:

The Board of Trustees endorses the branding strategy and charges the chancellor and presidents to implement the strategy. The chancellor shall establish system procedures and a brand standards manual necessary to implement the strategy.

Discussion

Chair Vekich asked for comments or discussion. Trustee Hoffman commented that he is opposed to the name change and that he has heard from others who are also opposed to it. He will not vote in favor of the name change. Several trustees spoke in favor of the name change.

Chancellor Rosenstone explained that there are many details on the name change. Some are in the procedure which is still in discussion. He asked the board to provide counsel with respect to the use of the word “system.”

Trustee Cirillo moved that the Board of Trustees endorses the branding strategy and charges the chancellor and presidents to implement the strategy. The chancellor shall establish system procedures and a brand standards manual necessary to implement the strategy.

Vice Chair Anderson Kelliher seconded the motion carried.

Proposed Amendment to Policy 3.23, Naming Colleges and Universities (First Reading)

CMCO Hawton reviewed the proposed amendments to Policy 3.23 Naming Colleges and Universities. Some of the amendments were technical such as formatting and style. The other amendments are that marketing studies are no longer required for colleges or universities considering a name change, as well as an amendment that puts in place a naming convention should a college or university be interested in changing its name.

Chair Vekich announced that the second reading of the policy will be in September.

Chair Vekich recessed the Board of Trustees meeting until 12:30 pm on June 22, 2016.

Wednesday, June 22, 2016

1. Board of Trustees Meeting Reconvenes

Chair Vekich reconvened the meeting at 12:37 PM.

Chair Vekich shared the following remarks:

The end of the fiscal year is usually a time to bid farewell to and celebrate retiring trustees and presidents. Although we do not want to dim that spirit of celebration, we must pause to honor the passing of our friend and colleague, St. Cloud State University President Earl Potter.

Earl's loss is a difficult one, both because of who Earl was as a man and what he did for his university, for his community, and for Minnesota. But one thing is certain. We are all better for Earl's time with us, and that is something we can and must celebrate.

St. Cloud State University is better because of Earl. He was passionate about higher education. He was steadfast in his commitment to access. He was innovative, steering the university toward becoming a global university. But above all, he was dedicated to students. Students were at the core of all he did. And they knew it. Students understood that he cared deeply about them. Earl was a president students could approach, whether they were Minnesotans or from any number of countries around the world.

The city of St. Cloud is better because of Earl. As St. Cloud mayor Dave Kleis recalled last week, right from the beginning back in 2007, Earl argued that the university would not do well if the city did not do well; and city would not do well if the university did not do well. So Earl fostered greater ties between St. Cloud State and the community, and both the university and the city did extremely well.

Collectively, all of our colleges and universities are better because of Earl. Service to Leadership Council, to the Campus Service Cooperative, to Charting the Future, to the Branding Steering Committee – this is just a small sampling of Earl's leadership within our system but it had a huge impact on helping us realize the power of what we could do by working together.

Although Earl's tenure as president was cut short, his legacy lives on. St. Cloud State University will carry out the work President Potter began – making the region more prosperous and preparing students to be successful no matter where their career takes them.

I ask that we all pause for a moment to reflect on Earl's legacy that he leaves behind.

I know I speak for all of the trustees when I offer our deepest condolences to Christine Potter, their children and grandchildren, and all who knew, loved, and respected President Earl H. Potter, III.

2. Human Resources Committee, Ann Anaya, Vice Chair

• Appointment of Interim President of St. Cloud State University

Committee Vice Chair Anaya moved that the Board of Trustees, upon the recommendation of Chancellor Rosenstone, appoint Dr. Ashish Vaidya as interim president of St. Cloud State University effective June 23, 2016, subject to the completion of an employment agreement. The board authorizes the chancellor, in consultation with the chair of the board and chair of the Human Resources Committee, to negotiate and execute an employment agreement in accordance with the terms and conditions of the MnSCU Personnel Plan for Administrators. The motion was seconded and carried unanimously.

3. Consent Agenda

a. Meeting Minutes

- 1) Board of Trustees, April 19-20, 2016
- 2) Executive Committee, May 11, 2016
- 3) Board of Trustees Study Session, Strategies for Addressing the Campus Climate Challenges Facing our Students, May 17, 2016
- 4) Board of Trustees, May 18, 2016

b. Approval of Contracts Exceeding \$1M for:

- 1) Bookstore Point-of-Sale/eCommerce/Accounting Software Master Contract
- 2) Facilities Cleaning Supplied, Equipment and Data Management System Master Contract
- 3) MSU, Mankato Apartment Lease
- 4) Rochester Community and Technical College/Rochester Schools CTECH Building Lease
- 5) On-going Utility Contracts for Colleges and Universities

c. Minnesota State College – Southeast Technical: Change in Institution Type and Change in Name

d. Metro Baccalaureate Strategy

e. Approval of FY2017 and FY2018 Meeting Calendar

Chair Vekich called the question on the Consent Agenda and the motion carried.

4. Board Policy Decisions

a. FY2017 Operating Budget (Second Reading)

Committee Chair Cowles moved that the Board of Trustees:

- *Adopt the annual total all funds operating budget for fiscal year 2017 as shown in Attachment 3-A in the Finance and Facilities Committee materials at <http://www.mnscu.edu/board/materials/2016/june-packet.pdf>. The chancellor is authorized, after consultation with the board chair and treasurer, to adjust the budget approved in Attachment 3-A in the Finance and Facilities Committee materials at <http://www.mnscu.edu/board/materials/2016/june-packet.pdf> to reflect any additional state appropriations received as a result of a special legislative session.*
- *Approve the proposed tuition structure recommendations for fiscal year 2017 as detailed in Attachments 1A through 1E in the Finance and Facilities Committee materials at <http://www.mnscu.edu/board/materials/2016/june-packet.pdf>.*

- *Tuition rates are effective summer term or fall term 2016 at the discretion of the president. The chancellor or designee is authorized to approve any required technical adjustments, and is requested to incorporate any approvals at the time fiscal year 2018 tuition recommendations are presented to the Board of Trustees.*
- *The Board of Trustees continues the policy of market-driven tuition for closed enrollment courses, customized training, and non-credit instruction, continuing education, and contract postsecondary enrollment option programs.*
- *Approve the Revenue Fund and related fiscal year 2017 fees for room and board, student union, wellness and recreation facilities, and parking ramps/surface lots as detailed in Attachments 2A through 2E, including any housing fees that the campuses may charge for occupancy outside the academic year.*
- *Approve Student Life/Activity fee (\$117.36 per term) for St. Cloud State University.*
- *Authorized the chancellor or designee to enter into an agreement with the Learning Network of Minnesota to provide the funding appropriated to the organization in Minnesota Laws Chapter 69, Article 1, Section 4, Subdivision 4, in the amount of \$4,115,000.*

The motion was seconded and carried unanimously.

b. Proposed Amendments (Second Readings)

- **Policy 3.21 Undergraduate Course Credit Transfer**
- **Policy 3.37 Minnesota Transfer Curriculum**

Committee Chair Cowles moved that the Board of Trustees approve the amendments to board policies 3.21 Undergraduate Course Credit Transfer, and 3.37 Minnesota Transfer Curriculum. The motion carried unanimously.

5. Chair’s Report, Michael Vekich

- Proposed Amendments to Policy 1A.4, System Administration, Appointment of Administrators (First Reading)
Chair Vekich reviewed the proposed amendments to Policy 1A.4, System Administration, Appointment of Administrators. Chair Vekich made a correction to include the words “of the” on line 72 as follows: *The Audit Committee “of the” Board of Trustees may terminate the employment of an individual serving as executive director of Internal Auditing in accordance with the MnSCU Personnel Plan for MnSCU Minnesota State Colleges and Universities Administrators.* This will be presented for a second reading and approval at the October meeting.

6. Chancellor’s Report, Steven Rosenstone

Chancellor Rosenstone expressed his gratitude to several people for their work on the legislative requests. He thanked Governor Dayton for his trips to Rochester Community and Technical College; South Central College; St. Cloud State University; and Minnesota State University Moorhead. The Governor highlighted the importance of the projects not just on those campuses but at all colleges and universities across the state.

Chancellor Rosenstone reported that Chair Vekich, Vice Chancellor Laura King, and Associate Vice Chancellor Brian Yolitz attended a legislative meeting on bonding chaired by Representative Paul Torkelson. At the meeting, Associate Vice Chancellor Yolitz thanked the representatives and senators for their work to bring a bonding bill forward. Chancellor Rosenstone stated that the work continues with the Governor and the legislature in the weeks ahead and he remain optimistic.

Chancellor Rosenstone stated that on the heels of the tremendous success of the Access to Excellence scholarship campaign, he appointed a scholarship planning committee chaired by Associate Vice Chancellor Phil Davis and several leading chief development officers to plan the next phase of the campaign. The campaign will start at Metropolitan State University on June 29 during the annual development officer's conference. The kickoff event will feature the announcement of our scholarship goal of \$50 million. Joining the development officers for the kickoff will be foundation presidents, college and university presidents, and other community leaders. Mary Brainerd, president and CEO of HealthPartners, will be the keynote speaker. We will honor Travelers for its work in support of career pathways for our students; and we will hear from a student recipient of the Travelers EDGE scholarship, which supports students who transfer from our colleges to our universities.

Chancellor Rosenstone thanked the members of the Leadership Council for their work this past year. He thanked the Leadership Council's executive committee, Doug Allen, Joyce Ester, Richard Hanson, and Earl Potter. Chancellor Rosenstone congratulated presidents Anne Blackhurst, Joyce Ester, Connie Gores, and Barbara McDonald, recently elected to serve on the executive committee.

Chancellor Rosenstone concluded with recognizing and thanking Trustees Benson, Charpentier-Berg, Krinkie, Otterson, and Renier, whose terms will end on June 30, or until their replacements are named. He also recognized and thanked retiring presidents Richard Hanson, Larry Lundblad, Devinder Malhotra, Avelino Mills-Novoa, and Margaret Shroyer.

7. Joint Council of Student Associations

a. Minnesota State College Student Association

Tim St. Clair, president, and Dylan Kelly, incoming president, addressed the board.

b. Students United (formerly Minnesota State University Student Association)

Joe Wolf, state chair, addressed the board. Mr. Wolf announced that their name has changed to *Students United*.

8. Minnesota State Colleges and Universities Bargaining Units

a. Minnesota Association of Professional Employees

Jerry Jeffries, statewide chair, addressed the board.

b. Minnesota State College Faculty

Kevin Lindstrom, president, addressed the board.

c. Minnesota State University Association of Administrative and Service Faculty

Tracy Rahim, president, addressed the board.

9. Board of Trustees Standing Committees

a. Finance and Facilities Committee, Jay Cowles, Chair

- 1) Report of Allocation Framework Redesign Effort
Committee Chair Cowles reported that the committee heard a report on the allocation framework redesign effort.
- 2) 2016 Legislative Summary Including Bonding Bill Outcome
Committee Chair Cowles reported that the committee heard the 2016 legislative summary and bonding bill outcome.
- 3) Proposed Amendment to Policy 5.12 Tuition and Fee Due Dates, Refunds, Withdrawals, and Waivers (First Reading)
Committee Chair Cowles reported that the committee heard a first reading of the proposed amendment to Policy 5.12 Tuition and Fee Due Dates, Refunds, Withdrawals and Waivers. This will be presented for a second reading and approval at the October meeting.

b. Audit Committee, Robert Hoffman, Chair

- 1) Executive Director Search Update
Committee Chair Hoffman provided an update on the search for the executive director of Internal Auditing.
- 2) Annual Audit Plan for Fiscal Year 2017 Update
Committee Chair Hoffman reported that the annual audit plan update is postponed to the October meeting.
- 3) Itasca Community College Internal Control and Compliance Audit
Committee Chair Hoffman reported that the committee heard a report on the Itasca Community College Internal Control and Compliance Audit.
- 4) Hennepin Technical College Internal Control and Compliance Audit
Committee Chair Hoffman reported that the committee heard a report on the Hennepin Technical College Internal Control and Compliance Audit.

c. Diversity, Equity, and Inclusion Committee, Duane Benson, Chair

- Consultation on the Chief Diversity Officer
Committee Chair Benson reported the committee heard an overview of the consultation process on the chief diversity officer position.

d. Joint Meeting, Diversity, Equity and Inclusion and Human Resources Committees, Duane Benson and Ann Anaya, Co-chairs

- Minnesota State Colleges and Universities Faculty and Staff Diversity: Current Demographics and Strategies
Committee Co-chair Benson reported that the joint committees heard a report on the Current Demographics and Strategies of the Minnesota State Colleges and Universities Faculty and Staff Diversity.

10. Trustees Reports

Trustee Anderson Kelliher reported that she spoke at the Executive Leadership Development Program graduation ceremony. Trustee Cirillo reported that three Normandale students will attend the annual community college innovation project in Washington, D.C.

Retiring Trustees Benson, Charpentier-Berg, Krinkie, Otterson and Renier reflected on their service on the board.

11. Other Business

• **Election of Officers**

Chair

Trustee Cowles announced that Trustee Michael Vekich was a candidate for the position of chair. There were no other nominations.

Trustee Cowles moved the nomination of Trustee Vekich for the position of chair.
The motion carried unanimously.

Vice Chair

Trustee Cowles announced that Trustee Margaret Anderson Kelliher was a candidate for the position of vice chair. There were no other nominations.

Trustee Cowles moved the nomination of Trustee Anderson Kelliher for the position of vice chair. The motion carried unanimously.

12. Adjournment

Chair Vekich adjourned the meeting at 1:55 PM.

Minnesota State Colleges and Universities
Board of Trustees Meeting Minutes
July 8, 2016

Present: Chair Michael Vekich, Trustees Ann Anaya, Margaret Anderson Kelliher, Duane Benson, Elise Bourdeau, Kelly Charpentier-Berg, Jay Cowles, Dawn Erlandson, Bob Hoffman, Philip Krinkie, Maleah Otterson, Thomas Renier, Louise Sundin, Erma Vizenor and Chancellor Steven Rosenstone

Absent: Alex Cirillo

1. Call to Order

Chair Vekich called the meeting to order at 9:10 AM and announced that a quorum was present. Trustees Bourdeau, Charpentier-Berg, Erlandson, Hoffman, Renier and Vizenor participated by phone.

2. Appointment of Executive Director of the Office of Internal Auditing

Audit Committee Chair Robert Hoffman moved that the Board of Trustees, upon the recommendation of the Audit Committee, appoint David Pyland as executive director of the Office of Internal Auditing effective August 1, 2016. The terms and conditions of the appointment shall be governed by the Personnel Plan for MnSCU Administrators.

The motion was seconded and carried unanimously.

3. Adjournment

Chair Vekich adjourned the meeting at 9:12 AM.

Ingeborg K. Chapin, Secretary to the Board

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
EXECUTIVE COMMITTEE MEETING MINUTES
AUGUST 11, 2016**

Executive Committee Members Present: Chair Michael Vekich, Trustees Alex Cirillo, Jay Cowles, Dawn Erlandson, Bob Hoffman, Margaret Anderson Kelliher, and Thomas Renier

Others Present: Trustees Duane Benson, Elise Bourdeau, Kelly Charpentier-Berg, Maleah Otterson, Louise Sundin, and Chancellor Steven Rosenstone

Convene: Chair Michael Vekich convened the meeting to order at 8:00 AM. Trustees Charpentier-Berg, Cirillo, Renier, and Sundin participated by phone.

Review Board/Management Culture

Chair Vekich invited General Counsel Gary Cunningham led a review a draft of the Board/Management Culture document, dated July 11, 2016. Following the review, Chair Vekich asked if there was a consensus to adopt the document and make it part of the board's operating procedures. There was unanimous agreement to adopt the Board/Management Culture document. The document will be updated to change Minnesota State Colleges and Universities with Minnesota State.

Update on Chancellor Search

Chair Vekich thanked Vice Chancellor Mark Carlson, Chief of Staff Nancy Joyer, and Associate Vice Chancellor Phil Davis for their work on the chancellor search documents. Drafts of the transition plan, the system and chancellor position profile, and qualities and characteristics of the next chancellor were reviewed.

Chair Vekich commented that three search firms are currently under consideration: Greenwood/Ascher, IsaacsonMiller, and Storbeck Piemental. He invited Vice Chancellor Carlson, who will lead the search, to give an update.

Vice Chancellor Carlson reported that he will be assisted in the search by Vicki DeFord, chief human resources officer. Chair Vekich has consulted with the chancellor's cabinet and the presidents. There was a strong consensus that the next chancellor have a terminal degree and experience in higher education. Chair Vekich commented that the transition plan is a living document and will change as needed.

Vice Chancellor Carlson reviewed the draft committee roster. There was a discussion on the composition and number of people on the search committee, along with suggestions to add more representation from Greater Minnesota, and for the chair to be a well-known business/community member. Other suggestions included increasing community representation, adding the chief financial officer, and someone from K-12. Chair Vekich

commented that his instinct is to not increase the size of the committee. He added that the transition materials provided for the new chancellor will result in a thorough briefing.

Vice Chancellor Carlson led a review of the system/position profile and the qualities and characteristics document. Following discussion, the committee agreed to replace “required terminal degree” with “preferred terminal degree.”

Chair Vekich thanked everyone for a thoughtful discussion. He asked the trustees to forward any suggestions they may have on the documents and the search committee roster to Vice Chancellor Carlson.

Chair Vekich adjourned the meeting at 9:45 AM.

**Minnesota State Colleges and Universities
Board of Trustees Meeting Minutes
September 21, 2016**

Present: Chair Michael Vekich, Trustees Basil Ajuo, Ann Anaya, Elise Bourdeau, Alex Cirillo, Jay Cowles, Dawn Erlandson, Amanda Fredlund, Robert Hoffman, Jerry Janezich, Margaret Anderson Kelliher, Rudy Rodriguez, Louise Sundin, Cheryl Tefer, and Chancellor Steven Rosenstone

Wednesday, September 21, 2016

Call to Order

Chair Vekich called the meeting to order at 8:00 AM.

Chair Vekich reviewed the proposed amendments to Policies 1A.4 System Administration, Appointment of Administrators and 3.23 Naming Colleges and Universities.

Proposed Amendments to Policies (Second Readings)

- **Policy 1A.4 System Administration, Appointment of Administrators**

Trustee Cowles moved that the board of trustees approve the proposed amendments to Policy 1A.4, System Administration, Appointment of Administrators. The motion carried unanimously.

- **Policy 3.23 Naming Colleges and Universities**

Trustee Bourdeau moved that the board of trustees approve the proposed amendments to Policy 3.23 Naming Colleges and Universities. The motion carried unanimously.

Adjournment

Chair Vekich adjourned the meeting at 8:10 AM.



MINNESOTA STATE

Board of Trustees Meeting
Wednesday, October 19, 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.

Board Policy Decisions

Proposed Amendments (Second Readings)

- a. **Policy 2.10 Student Housing**
(pp. 6-8 of the Academic and Student Affairs Committee)
- b. **Policy 5.12 Tuition and Fee Due Dates, Refunds, Withdrawals, and Waivers** (pp. 18-28 of the Finance and Facilities Committee)



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