

**Minnesota State Colleges and Universities**  
**Board of Trustees Study Session**  
**Long Term Financial Sustainability**  
**November 15, 2016**

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**Present:** Chair Michael Vekich, Trustees Basil Ajuo, Elise Bourdeau, Alex Cirillo, Jay Cowles, Dawn Erlandson, Amanda Fredlund, Bob Hoffman, Margaret Anderson Kelliher, Rodolfo Rodriguez, Louise Sundin, Cheryl Tefer, and Chancellor Steven Rosenstone

**Absent:** Trustees Ann Anaya and Jerry Janezich

Chair Vekich convened the study session at 3:15 PM.

**Chair Vekich's Opening Remarks**

Today's study session focuses on the long term financial sustainability of our colleges and universities. Funding has not been keeping pace with the resources needed to support our talented faculty and staff, as well as the innovative programs, technology, and state-of-the-art facilities required to deliver an extraordinary education to our students. No campus has been immune from deep cuts over the past decade. I think we all agree that this path is unsustainable.

Clearly, we need to develop and implement strategies that will ensure the long-term financial sustainability of our campuses so we can better serve students and communities over the next decade and beyond.

Our work to address this challenge has been underway for over a year. At the fall 2015 board retreat, we discussed the idea of creating a work group to document the extent of the problem and to offer recommendations on how best to align resources and costs. We discussed getting recommendations on new revenue and expenditure strategies and new models for how we might organize ourselves, educate students, serve communities across the state; and advance excellence, access and affordability; and new planning strategies. The board thought this was an urgent problem and supported the idea of a workgroup to offer recommendations about how best to proceed.

Following the 2015 board retreat, the chancellor chartered a workgroup chaired by Associate Vice Chancellor Phil Davis and Vice Chancellor Laura King and invited all the bargaining units and both student associations to appoint individuals to serve.

The Board of Trustees is grateful to everyone who spent the past academic year wrestling with this puzzle. This included students, faculty, and staff from every bargaining unit and both student associations, chief financial officers, former state finance commissioners, presidents, vice chancellors, and the chair of the board's Finance and Facilities Committee.

The workgroup presented its recommendations to the chancellor and the Board of Trustees last June. The report was unequivocal in stating:

“The situation is urgent and demands development of strategies that will enable improved services to students, the state, its citizens and its communities.”

Following our initial discussion of the report at our June board meeting, the chancellor said he would be consulting on the recommendations as well as inviting additional suggestions for how we should address the financial challenges we face. He pledged to bring to the board in the fall his best judgement on the steps we should take – hence the chancellor’s “strategy roadmap” and today’s study session. The chancellor’s consultation on the critical question of long term financial sustainability has been extensive, inclusive, and genuine.

- Over the past four months, Chancellor Rosenstone has consulted with each bargaining unit, both student associations, and the Leadership Council on multiple occasions.
- He emailed all faculty and staff across the state to ask for everyone’s assessment of the workgroup’s recommendations as well as any additional ideas.
- As you know, long term financial sustainability also was a focus of the board’s fall 2016 retreat and we included in our discussion the state-level leaders of the bargaining units and student associations, the chancellor’s cabinet, and the four presidents who serve on the Leadership Council Executive Committee. Our discussion focused on the strengths and weaknesses of the workgroup’s five recommendations as well as on additional strategies that would materially raise recurring revenue or reduce recurring costs.
- In addition, the chancellor reviewed over 700 letters and emails from students, faculty, and staff.

I want to thank Chancellor Rosenstone for this extensive consultation and I join the chancellor in expressing the board’s gratitude to the many students, faculty, and staff who took the time to offer advice on this critical topic. I also appreciate the chancellor’s thoughtful reflections on the challenges we face, and I am grateful for his sharing with us his best judgement on the most promising steps we should take to address the long term financial challenges facing our colleges and universities.

As the chancellor stated in his cover memo, the ideas in this “strategy roadmap” represent the best thinking that has surfaced from across the state. The chancellor has focused on the steps that are most promising because they will have both material and recurring impacts on campus finances and because they are ideas that honor our core values and the commitments we have made to the people of Minnesota. This “strategy

roadmap” builds upon recommendations that the workgroup surfaced last June, but nearly an equal number of the ideas grew out of suggestions that emerged from the discussions, consultation meetings, emails, and letters from students, faculty, and staff.

Before inviting Chancellor Rosenstone to provide a brief overview of the strategy roadmap, let me say that, in my judgement, it is absolutely essential that we act – we must act to address our financial challenges. And, we must act now. Waiting to act will only compound the challenges. The good news, as the chancellor notes, is that a great deal of this work is already underway through the auspices of Charting the Future. Other ideas in the strategy roadmap suggest new initiatives that should be pursued.

Following Chancellor Rosenstone’s brief presentation, the board will focus its discussion on four strategic questions:

1. What is the board’s assessment of the strategy roadmap?
2. What are the barriers to success?
3. What are the two or three top priorities for action?
4. Beyond the work that is currently underway, what additional steps should be taken at this time?

### **Chancellor Rosenstone’s Comments**

Chancellor Rosenstone thanked the board, presidents, students, faculty, and staff for four months of very thoughtful and candid discussions following the June report. There is an urgent need to develop strategies that will both better serve students and protect the ability of our colleges and universities across the state to serve communities and the state of Minnesota. Incremental costs have been outpacing incremental revenue. Over the period of FY2008 through FY2017 total revenues, tuition and state support, rose an average of 1.17% a year and that in each of the last ten years on average our colleges and universities have been cutting and reallocating roughly \$33 million a year. Incremental costs will continue to outpace incremental revenues unless we do something different with respect to both our revenue strategies and our cost reduction strategies.

The report issued last June had two scenarios and it concluded that the future is not sustainable. One scenario concluded that the gap between revenues and costs rises to about \$66 million dollars a year over the next decade. The other scenario predicted a gap of \$475 million.

### **Strategy Roadmap for Long Term Financial Sustainability for Minnesota State Colleges and Universities**

Chancellor Rosenstone reviewed the report entitled Strategy Roadmap for Long Term Financial Sustainability for Minnesota State Colleges and Universities. The report is at: <http://www.mnscu.edu/board/materials/2016/november-ltfs.pdf>.

The roadmap is a three-legged stool, and each leg is absolutely critical to our ability to succeed. The first leg has to do with strategies to raise our revenue; the second leg are strategies to reduce our recurring costs; and the third is the commitments that the state of Minnesota must make as a partner in this effort.

### Revenue Strategies

The details for the revenue strategies and related tactics are on pages 3-11 of the report. The first five have to do with increasing enrollments and the last one is to increase private giving.

1. Increase student persistence and completion.  
The goal is to increase student persistence by 5 percentage points over the next five years.
2. Increase the likelihood that students with associate degrees will transfer to baccalaureate programs in our state universities. Only 47% of the students who complete an associates degree at one of our colleges go on to complete a baccalaureate degree go to one of our universities.  
The goal is to increase that number by 10 percentage points over the next five years.
3. Increase the number of high school graduates prepared for and on track to postsecondary education.  
The goal is to increase the number of high school graduates who go on to postsecondary education by 5 percentage points over the next five years.
4. Increase undergraduate and graduate enrollments.  
The goal is to increase by 5 percent over the next five years the number of new students enrolled in our colleges and universities.
5. Increase customized training and continuing education enrollments.  
The goal is to increase enrollments in customized training and continuing education courses by 10 percent over the next five years without increasing fixed costs.
6. Increase private giving to provide scholarships and resources to support research, academic programs, faculty, and the cost of new facilities.  
The goal is to increase private giving by 50% over the next five years. This is a realistic goal as over the last four years we have increased private giving by over 40 percent.

### Cost Savings Strategies

The details for the cost savings strategies and related tactics are on pages 12-15 of the report.

1. Improve the efficiency by which we manage the curriculum and academic programs while protecting an appropriate range of student choice and program specialization.  
The goal is to increase the efficiency by which we deliver our curriculum without

jeopardizing the quality of instruction by 3 percent over the next five years. Recommendation 4.1 will be approached differently. Feedback from each of the bargaining units is that this should occur at the bargaining table. It will be brought to the bargaining table as part of the negotiations ahead of the contracts for FY17 and FY18.

2. Reduce facilities costs.  
The goal is to reduce facilities costs by 5 percent over the next five years.
3. Reduce administrative costs.  
The goal is to further reduce institutional support expenses by an additional 5 percent over the next five years.
4. Hold compensation increases to the increases in new recurring revenue.

#### State of Minnesota Responsibilities

The details for the state of Minnesota responsibilities are on pages 16-19 of the report.

1. Restore state investment in higher education to the national average.
2. Fully fund the recurring cost of compensation increases negotiated by the state.
3. Provide the HEAPR resources needed to maintain our college and university academic facilities. HEAPR should be expanded so that we are not responsible for the debt service on the interior and exterior of existing buildings.
4. Provide the funds and leadership needed to decommission and demolish facilities that are obsolete, no longer needed to meet academic program needs, that cannot be effectively repurposed, and that community organizations do not want to use.
5. Fully fund the direct costs of the Postsecondary Educational Opportunities (PSEO) program.
6. Partner with Minnesota State colleges and universities to identify additional sources of public revenue beyond the general fund.

Chair Vekich thanked Chancellor Rosenstone and invited trustees' comments.

#### Board Discussion on Strategic Questions

##### **What is the board's assessment of the strategy roadmap?**

Trustees commended the chancellor for taking the initial report of the Long Term Financial Sustainability Workgroup, consulting and seeking input from many constituents over the summer, and developing a framework for going forward. They supported the plan and appreciated its fact-based approach. They liked the three categories in the strategy roadmap, especially the State of Minnesota's responsibility. They commended the chancellor for telling our story in this report.

Establishing private giving will be a keystone in new revenue, as will efficiencies in curriculum and administrative costs. Innovation with which we draw people to our system is missing. Although we have a new brand, there are other ways to attract students to Minnesota. There has not been enough discussion on how to increase enrollment beyond our borders and internationally. Suggestions included that the role of technical colleges should be included in the report as they provide the training for the jobs. Partnerships should include not just businesses, but also with apprenticeship programs trades and unions. Other suggestions were to think about more private giving to the whole system, such as scholarships, naming rights, guaranteed admission, and redirection of students who have been declined admission. Promote high demand fields. Most inspired by call for responsibility of State of Minnesota to the system for fully funding PSEO. The roadmap provides an opportunity to utilize incentives in our system. Opportunities to communicate with students in a way that encourages their behavior with incentives.

### **What are the two or three top priorities for action?**

Trustees suggested:

- reaffirming and committing to a deep respect for all key players, employees, and students in the process;
- focusing on the biggest opportunity which is student persistence and completion, make presentations sing, and;
- improving curriculum efficiency.

Trustees also commented that the activities which fall under Charting the Future initiatives are in the final home stretch. They suggested acknowledging the work that has already occurred and to use it as a platform for an ongoing discussion.

Other suggestions for action included continuing to emphasize persistence, make a move off campus and connect with community, expand student definition to add value; create a representative informal group that brainstorms and innovates on changing the mode.

### Concluding Comments

Chair Vekich commented that consensus from the board is that we should proceed with what has been laid out here and that we should move forward. The chancellor will outline the initial implementation strategy at the January board meeting. Chancellor Rosenstone thanked the board. The hard work on the revenue and cost saving side will give credibility to the need for the State of Minnesota to match the hard work we are doing.

The study session ended at 4:52 PM.