

**Minnesota State Colleges and Universities**  
**Board of Trustees Meeting Minutes**  
**November 16, 2016**

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

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**Call to Order**

Chair Vekich called the meeting to order at 11:10 AM. Trustees Anaya and Fredlund participated by phone.

**Chancellor's Report**

Chancellor Rosenstone announced the creation of the Minnesota State Transfer Guarantee.

I am pleased to announce today the Minnesota State Transfer Guarantee. This is a guarantee available to every student who completes the Minnesota Transfer Curriculum and graduates with an associate of arts degree from a Minnesota State college with a GPA of 2.0 or better – 2.4 at Winona State will be guaranteed admission to every one of our universities within the Minnesota State system with junior year status.

The Minnesota State Transfer Guarantee is a collaboration among our 26 state colleges and our 7 state universities that allows students to seamlessly and reliably transfer from any one of our colleges to any one of our universities. This guarantee allows students to take full advantage of the significant cost savings that our colleges and universities offer, since tuition and fees are significantly lower – between 1/2 and 1/10 the cost of other higher education options in Minnesota. Students will graduate with significantly less debt and receive an extraordinary education that prepares students with the skills and knowledge needed for the jobs of the future to provide for their families and contribute to their community and to the state's economy.

It is important to note that this guarantee is something only Minnesota State can offer. In addition to our overall quality and affordability, it sets our state colleges and universities apart from other higher education options in Minnesota – both public and private. Only we can make this guarantee.

Earlier this morning, the Academic and Student Affairs Committee heard an update on our work to ensure that our colleges and universities can continue to partner with high schools across the state to deliver concurrent enrollment instruction. As you know, Minnesota State provides 84% of the concurrent enrollment instruction that occurs in the entire state.

Thanks to collaborative work between our presidents, our administration and our community partners, we will be able to protect concurrent instruction and protect the pathway for faculty to meet the credentials they need to continue teaching concurrent courses. No student will be turned away from concurrent enrollment because of the change in Higher Learning Commission standards.

I would like to thank our community partners, Education Minnesota President Denise Specht, IFO President Jim Grabowska, MSCF President Kevin Lindstrom, as well as Vice Chancellor Ron Anderson, and System Director Pakou Yang for their tremendous work.

The Academic and Student Affairs Committee also heard about the increasing diversity of our students. Recent articles and reports have made it clear that on college campuses across the nation and here in Minnesota, there is an increasing polarization around race, ethnicity, religion, gender status, and national origin. Some of our students are feeling frightened, vulnerable, and angry; and some are not.

I want to underscore our collective commitment to ensuring that our colleges and universities are places of hope and opportunity for all of our students: women and men, straight and LGBTQ, and people of every race, color, religion, national origin, and physical ability.

I join our presidents in their strong reaffirmation of our commitment to creating opportunities for all students, and ensuring that each of our colleges and universities must be a community where all students feel safe to learn and safe to pursue their hopes and dreams.

I join Trustee Rodriguez in the thoughtful comments he offered this morning about the climate we must ensure to protect all of our students. I also join Students United in their condemnation of “any actions that perpetuate and encourage an act of racism, bigotry, sexism, xenophobia and hate.” We will continue to do everything in our power to make absolutely certain that, on our campuses, hope defeats hate so that all of our students can fulfill their dreams for a better future.

I have invited all leadership from our faculty, staff, student associations, and our presidents to meet in order to develop campus-based strategies that go beyond the work we have already begun.

## **Consent Agenda**

- a. Board of Trustees Retreat Notes of September 20-21, 2016**
- b. Board of Trustees Meeting Minutes of October 19, 2016**
- c. Annual Audit Plan for FY2017**
- d. FY2016 and FY2015 Audited Financials**

Chair Vekich removed the Report of Internal Financial Model and Allocation Framework Redesign from the Consent Agenda.

*Chair Vekich called the question on the remaining consent agenda items and the motion carried.*

- **Report of Internal Financial Model and Allocation Framework Redesign (Second Reading)**  
A revised Attachment A was distributed at the meeting and is attached on pages 7-8. Trustee Janezich spoke against approval of the internal financial model and allocation framework redesign.

*Committee Chair Cowles moved that the Board of Trustees adopt the following motion:*

- 1. Adopt changes to the allocation framework as outlined in revised 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.*

*Chair Vekich called the question and the motion carried with one nay.*

## **Student Associations**

- **Students United**  
Joe Wolf, state chair, addressed the board.

## **Bargaining Units**

- a. Inter Faculty Organization**  
Jim Grabowska, president, 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.

## **Board Standing Committee Reports**

### **a. Finance and Facilities Committee, Chair Jay Cowles**

#### **1. FY2018-FY2019 Legislative Operating Budget and 2017 Capital Bonding Proposal (Second Reading)**

*Committee Chair Cowles moved that the Board of Trustees adopt the following motion:*

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

*The Board of Trustees approves the FY2018-FY2019 biennial budget request in the amount of \$733,416,000 in FY2018 and \$791,216,000 in FY2019 for a total of \$1,524,632,000. The Board strongly urges the state of Minnesota to support Minnesota State's biennial budget request.*

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

*The Board of Trustees approves the 2017 capital bonding request as presented in attachment A, (see page 152 at <http://www.mnscu.edu/board/materials/2016/november-packet-revised.pdf>) 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.*

*Chair Vekich called the question and the motion carried.*

#### **2. Proposed Amendment to Policy 5.22 Acceptable Use of Computers and Information Technology Resources (First Reading)**

*Committee Chair Cowles reported that the committee heard a first reading of a proposed amendment to policy 5.22 acceptable use of computers and information technology resources.*

3. Proposed New Policy 6.9 Capital Planning (First Reading)  
Committee Chair Cowles reported that the committee heard a first reading of a proposed new policy 6.9 capital planning.
4. Proposed New Policy 6.10 Design and Construction (First Reading)  
Committee Chair Cowles reported that the committee heard a first reading a proposed new policy 6.10 design and construction.

**5. FY2017 Revenue Fund Bond Sale (First Reading)**

*Committee Chair Cowles moved to suspend the rules to allow consideration of the approval of the FY2017 Revenue Fund Bond Sale. Trustee Rodriguez seconded and the motion carried.*

*Committee Chair Cowles moved that the Board of Trustees authorizes a revenue bond sale for the issuance of tax exempt bonds:*

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

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

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

*The sales are subject to the sale parameters as presented on Attachment A as amended (see page nine).*

*The Board of Trustees approves the Series Resolution as described in Attachment B (see page 62, at <http://www.mnscu.edu/board/materials/2016/november-packet-revised.pdf>), subject to final legal form completion. As bond proceeds are made available, the chancellor or his designee is authorized to execute contracting actions necessary to deliver on the project scope and intent.*

*Chair Vekich called the question and the motion carried.*

6. College and University Operating Budget Update  
Committee Chair Cowles reported that the committee heard a college and university operating budget update.

**b. Audit Committee, Chair Bob Hoffman**

Committee Chair Hoffman reported on the Audit Committee meeting.

**c. Diversity, Equity and Inclusion Committee, Chair Ann Anaya**

- Advancing Equity and Inclusion Within Minnesota State  
Committee Chair Anaya reported that the committee heard a presentation on advancing equity and inclusion within Minnesota State.

**d. Academic and Student Affairs Committee, Chair Alex Cirillo**

1. Student Demographics  
Committee Chair Cirillo reported that the committee heard a presentation on student demographics.
2. Concurrent Enrollment  
Committee Chair Cirillo reported that the committee heard a presentation on concurrent enrollment.

**Trustees Reports**

Trustee Ajuo reported that he and Trustee Fredlund attended the Minnesota State College Student Association Leadership Summit meetings.

Chair Vekich reported that he and Chancellor Rosenstone jointly addressed the Students United Fall Delegates Assembly. Trustee Bourdeau also participated and addressed the students.

**Adjournment**

Chair Vekich announced that the Executive Committee will meet on December 2. The next Board of Trustees meetings are on January 24-25, 2017.

Chair Vekich adjourned the meeting at 12:05 PM.

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Ingeborg K. Chapin, Secretary to the Board

## **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. In accordance with board policy 5.9 *Biennial and Annual Operating Budget Planning and Approval*, budgets must meet the approval of system leadership evidencing sound financial management including the achievement and continued assurance of structural balance.

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

**Transition Plan** – It is the policy of the board to only invest in colleges and universities financially in partnership with responsible college/university leadership. In order to be eligible for transition plan assistance, colleges and universities must provide the Chancellor and Vice Chancellor – Chief Financial Officer, subject to its acceptance, an action plan that details steps that will be taken to achieve a structurally balanced budget by the start of FY2020. The chair of the Finance and Facilities committee and the Board chair will be consulted concerning the action plans. The Vice Chancellor – Chief Financial Officer will provide status reports semi-annually to the board.

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

## RECOMMENDED CHANGES TO ALLOCATION FRAMEWORK COMPONENTS

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

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

**Student Services and Institutional Support** – To better align resources with demand for student services, use headcount rather than full year equivalent (FYE), give additional weight to underrepresented students and less weight to concurrent enrollment students when calculating the student services allocation. To increase transparency and responsiveness to changing conditions, use a two-year rather than a three-year average to determine allocation in both the student services and institutional support calculations. The component retains the multi-campus adjustment.

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

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

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

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

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



**Minnesota State  
FY2017 Revenue Fund Bond Sale**

**ATTACHMENT A**

**SALE PARAMETERS – as amended**

Series 2017A (Tax Exempt)

1. Maximum Interest Rate (TIC): up to 5.00%
2. Maximum Principal: \$ 85,000,000
3. Maximum Discount: 1.5 % of par or \$15/\$1,000 Bond. Minimum bid of 98.5% is required per the Official Statement
4. Earliest Redemption date: April 1, 2027

Series 2017B (Taxable)

1. Maximum Interest Rate (TIC): up to 5.00%
2. Maximum Principal: \$4,000,000
3. Maximum Discount: 1.0 % of par or \$10/\$1,000 Bond. Minimum bid of 99.0% is required per the Official Statement
4. Redemption date: The 2017B Bonds will not be optionally callable

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