



FY2012-2017 Capital Budget Request

**Finance and Facilities Committee
June 15, 2011**



Purpose

- Present First Reading of Chancellor's Recommendation for the fiscal year 2012 Capital Program to the Board of Trustees Finance and Facilities Committee



Outline

- Recommended budget request
- Development process
- Program focus areas
- Institutional and regional impacts
- Debt impacts
- Motion



Capital Budget Request

- Total Request for FY2012: \$344.2M
 - HEAPR: \$110.0M
 - 28 Projects: \$222.6M
 - 3 System initiatives: \$11.6M
- Reflective of Board Guidelines and Direction
- Carry forward and new requirements
 - 19 projects/1 initiative from 2010 - \$193.4M
 - 9 new projects and 2 initiatives - \$40.7M
- Built on assumption of no FY2011 program



Development Process

- Board Guidelines – May 2010
- Board of Trustees Updates
- Facilities Staff review and feedback
- Scoring – January 2011
- Public Hearing – February 15, 2011
- Physical Plant and Capital Program Size – April 2011
 - Target \$350M: \$110M HEAPR/\$240M projects
 - Right size, workforce development, financial sustainability
- Leadership Council – June 7, 2011



Program Focus Areas

- Higher Education Asset Preservation and Replacement - HEAPR:
 - \$110.0M
 - Code compliance, exterior of existing building or infrastructure repairs, and renewal
- Renovation, rightsizing and demolition:
 - \$100.6M
 - 15 projects and classroom initiative
 - \$78.1M of work is HEAPR-like



Program Focus Areas

- Science and Allied Health:
 - \$83.4M
 - 7 projects and STEM initiative
 - 4 major projects:
 - North Hennepin and St Cloud State
 - MSU Mankato and Metropolitan State
- Workforce development:
 - \$16.5M
 - 3 projects – transportation programs

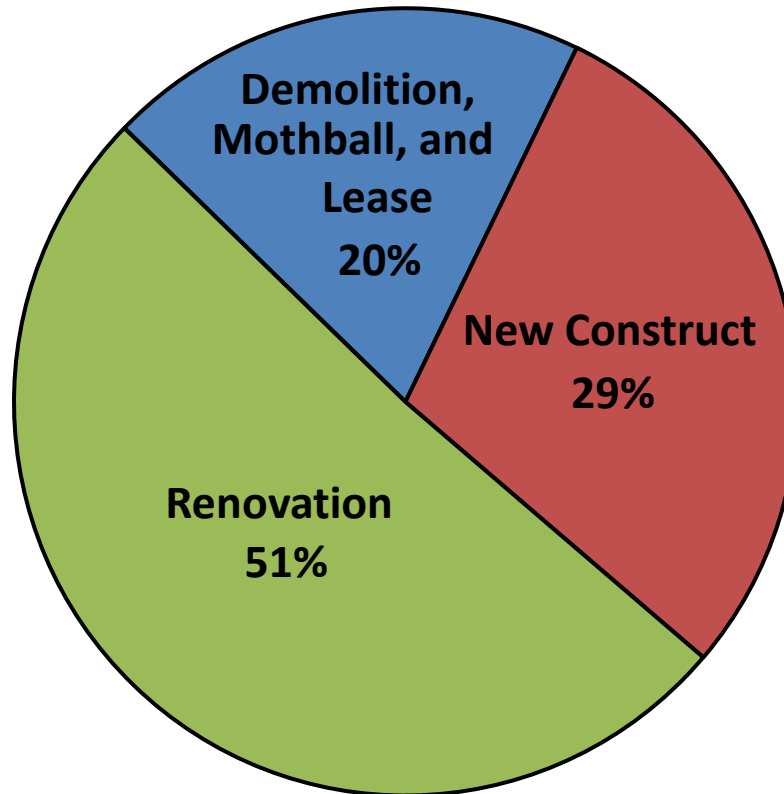


Program Focus Areas

- Capacity and Development:
 - \$33.6M
 - 3 projects and energy initiative
 - Sustained FYE growth:
 - Century and Normandale
 - Programs:
 - Mesabi Range (Virginia) and Energy



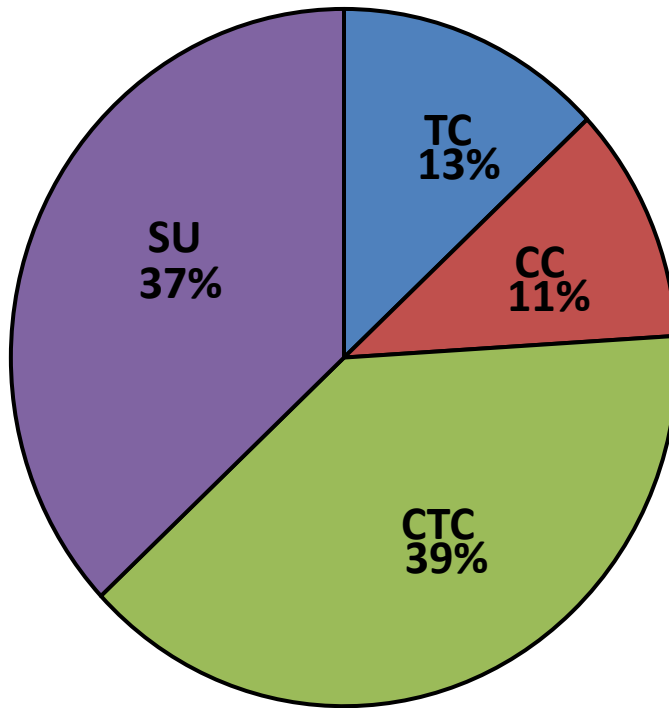
Program Scope: Square Footage



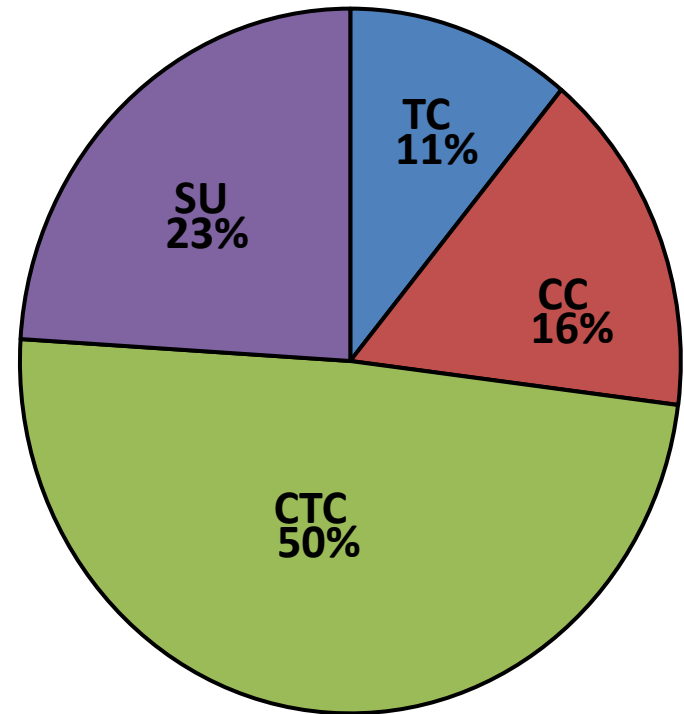
- Total Scope: 1.45 million square feet



Institutional Square Footage



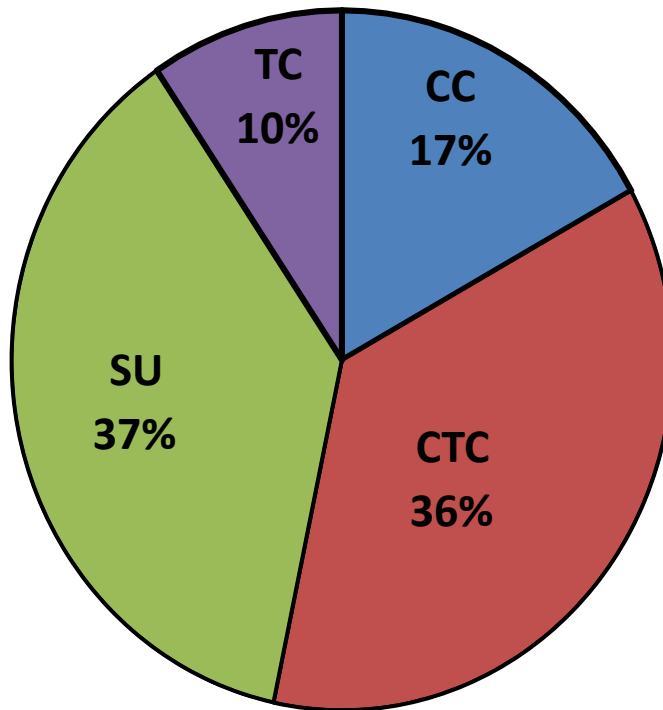
**2011 Academic
Gross Square Footage
21.7 million square feet**



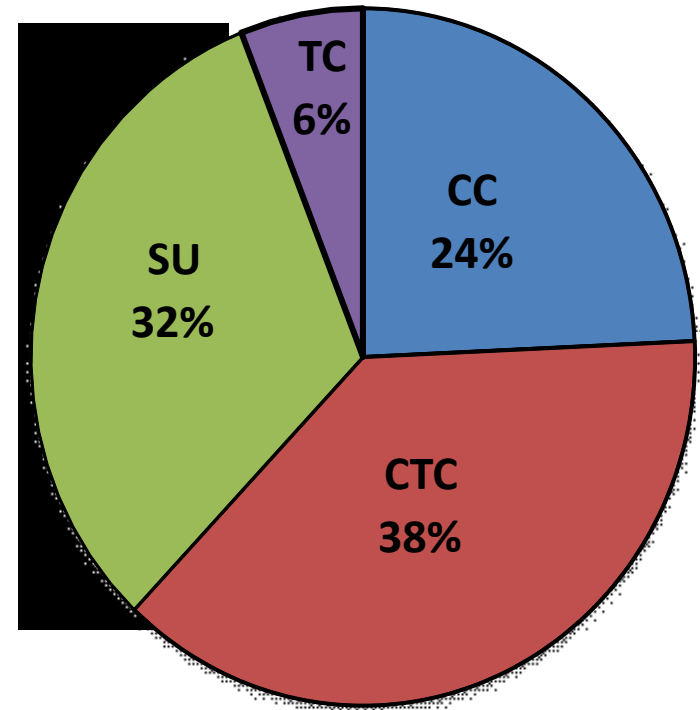
**2012 Proposed Budget
1.45 million square feet**



Distribution By Institution Type



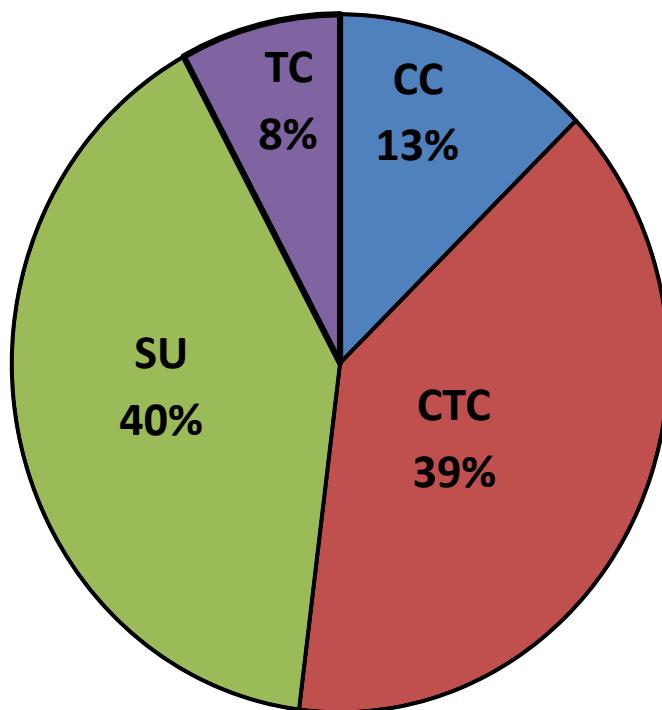
2010 FYE Distribution
155,423



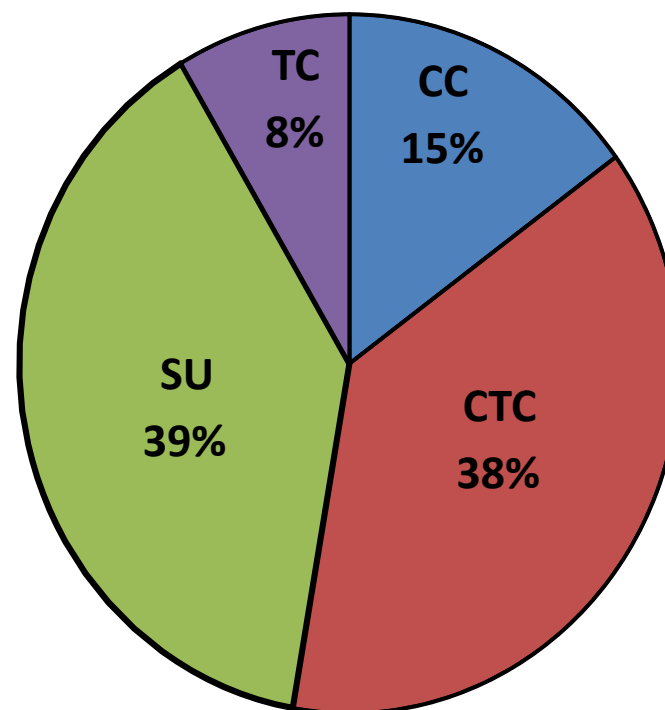
2012 Proposed Budget
\$344.2 million



History By Institution Type



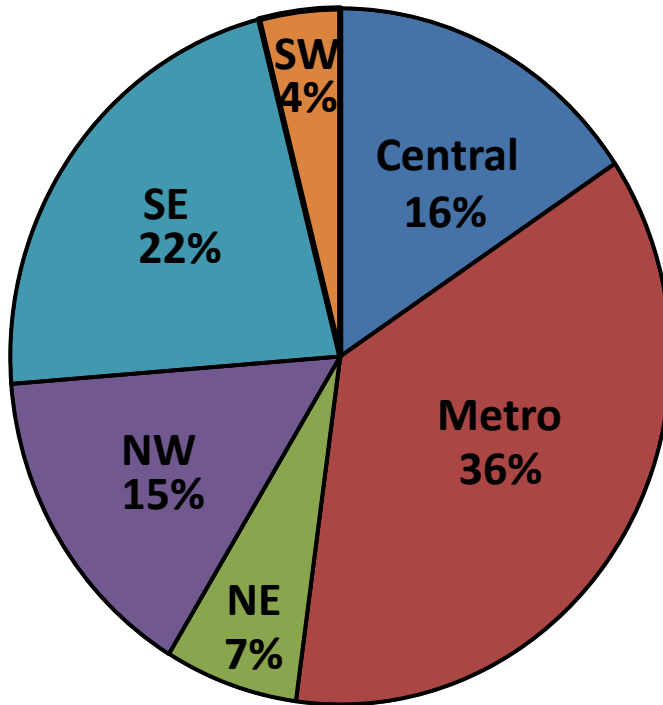
**2000-2010 Capital Appropriations
\$1.136 billion**



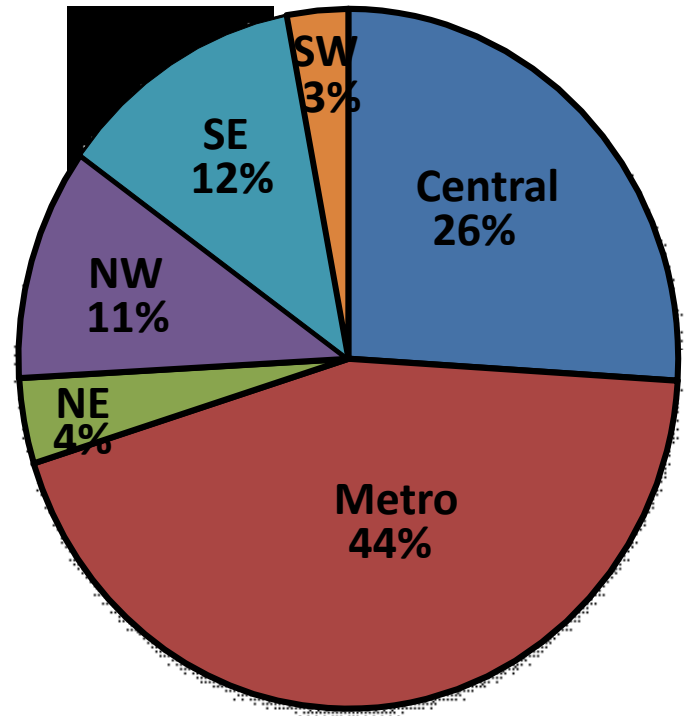
**2000-2010 Capital Appropriations
Plus 2012 Proposed Budget
\$1.480 billion**



Distribution By Region



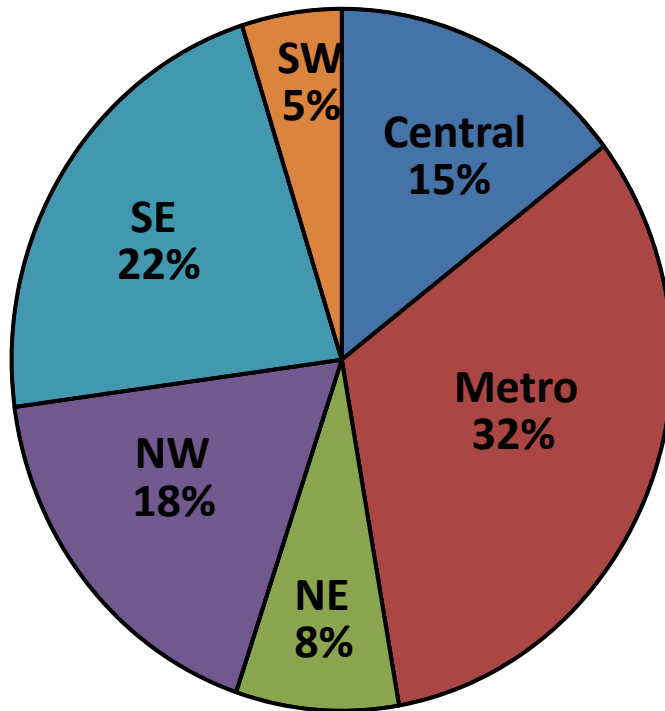
2010 FYE Distribution
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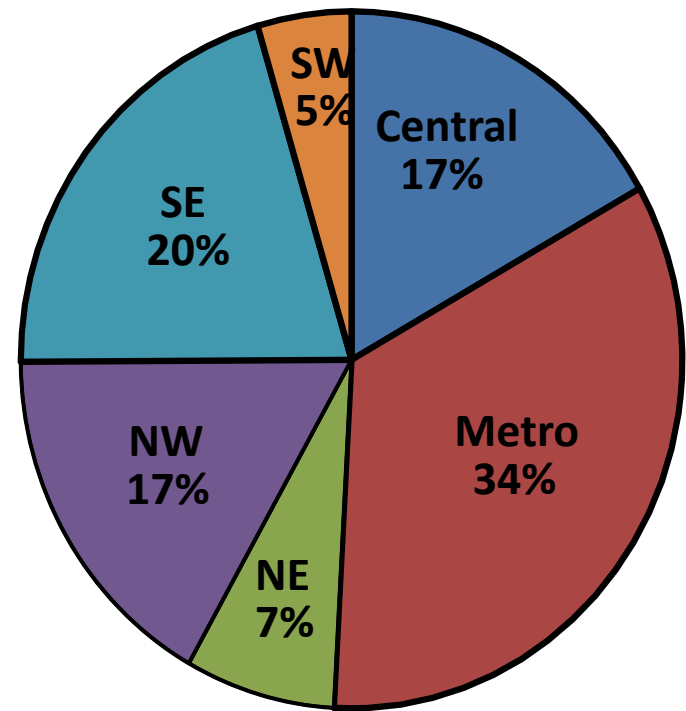
2012 Proposed Budget
\$ 344.2 million



History By Region



**2000-2010 Capital Appropriations
\$ 1.136 billion**



**2000-2010 Capital Appropriations
Plus 2012 Proposed Budget
\$ 1.480 billion**



Maximum Debt Load and Service

- Total potential debt of program: \$344.2M
 - Minnesota total principle outstanding: \$10.6B
 - Issued and authorized but unissued, MMB Feb 2011
- System carries one-third project debt
 - FY2012 program: \$78.1M
 - System capital debt: \$219.5M as of June 2011
- System debt service
 - Estimated annual debt service: \$6M
 - \$3M to Campuses, \$3M System Office
 - Current total capital debt service: \$30M
 - \$15M by Campuses, \$15M System Office



The Way Ahead

June 15	First Reading
June 21/22	Second Reading - Board Approval
June 25	Capital budget submitted to MMB
August - Dec	Legislative bonding campuses visits
October	Final modifications to project list
January 13, 2012	Governor submits 2012 Strategic Capital Budget to Legislature
February 2012	Legislative session begins
May 2012	Legislature adopts, Governor approves 2012 bonding bill



Recommended Motion

The Board of Trustees approves the FY2012-2017 Capital Budget as presented in Attachment A, specifically the projects and priorities for FY2012.

The Chancellor is authorized to make cost and related adjustments to the budget as required, and to forward the Capital Budget to the Governor for consideration in the FY2012-2017 state capital budget.

The Chancellor shall advise the Board of any subsequent changes in the Capital Budget prior to the 2012 legislative session.



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Fiscal Year 2012 Operating Budget

**Presented to the Finance and Facilities Committee -
Board of Trustees**

June 15, 2011



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Overview of discussion

- Legislative overview
- System operating budget overview
- College and university operating budget overview
- Recommended motion



Legislative overview: State appropriation funding level

(\$ in millions)	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2013</u>	<u>Biennium</u>	<u>\$ from Forecast</u>	<u>% Change from Forecast</u>
System request	\$630.4	\$630.4	\$1,260.7		
Governor's recommendation	\$592.5	\$592.5	\$1,185.0	(\$75.7)	-6.0%
Omnibus Higher Education Bill	\$540.5	\$540.5	\$1,081.0	(\$179.7)	-14.3%

*Fiscal year 2012 funding level of \$540.5 million provided in the Conference Committee bill represents a \$65.0 million reduction (10.7%) from the system's fiscal year 2011 funding level of \$605.5 million (FY2011 double equals \$1,211).



Legislative overview: Vetoed Conference Committee bill

- Tuition & Mandatory fee caps
- Performance funding language
- Education priorities
- Guaranteed tuition plan
- Credit transfer report changes



State and Federal Financial Aid Issues

- Congress retained Pell Grant maximum
- MN State Grant program rationed
- Reduced funding for State Work Study and Child Care Grant program
- Eliminated funding for the Achieve Scholarship Program



System operating budget overview: Distribution of state resources

(\$ in millions)	<u>Fiscal Year 2011</u>	<u>% of State Resources</u>	<u>Fiscal Year 2012</u>	<u>% of State Resources</u>
Institution allocations	\$525.2	86.4%	\$462.3	85.2%
- Basic allocations	\$505.7		\$447.3	
- Priority allocations	\$19.5		\$15	
Systemwide set asides	\$41.3	6.8%	\$43	7.9
Office of the Chancellor/Shared Services	\$36.7	6%	\$33.1	6.1%
Total state resources	\$607.9		\$542.5	



College & university budget planning

- Multi-year approach
- Reduction of state appropriation
- Increase in fixed costs
- Budget solutions:
 - Program closures/reductions
 - Elimination of positions (attrition and layoffs)
 - Reduction of service hours
 - Instructional efficiencies



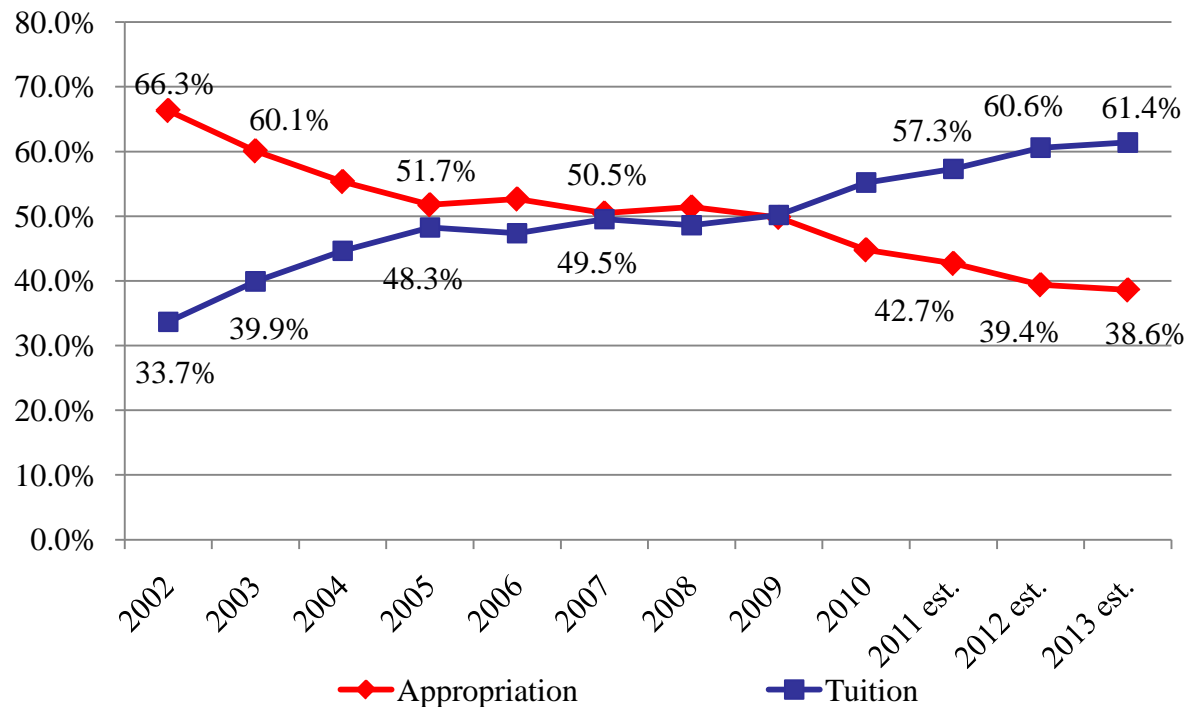
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College & university investments

- Technology
- Student success
- Professional development
- Repair and replacement
- Equipment
- Career planning/placement services
- Energy conservation



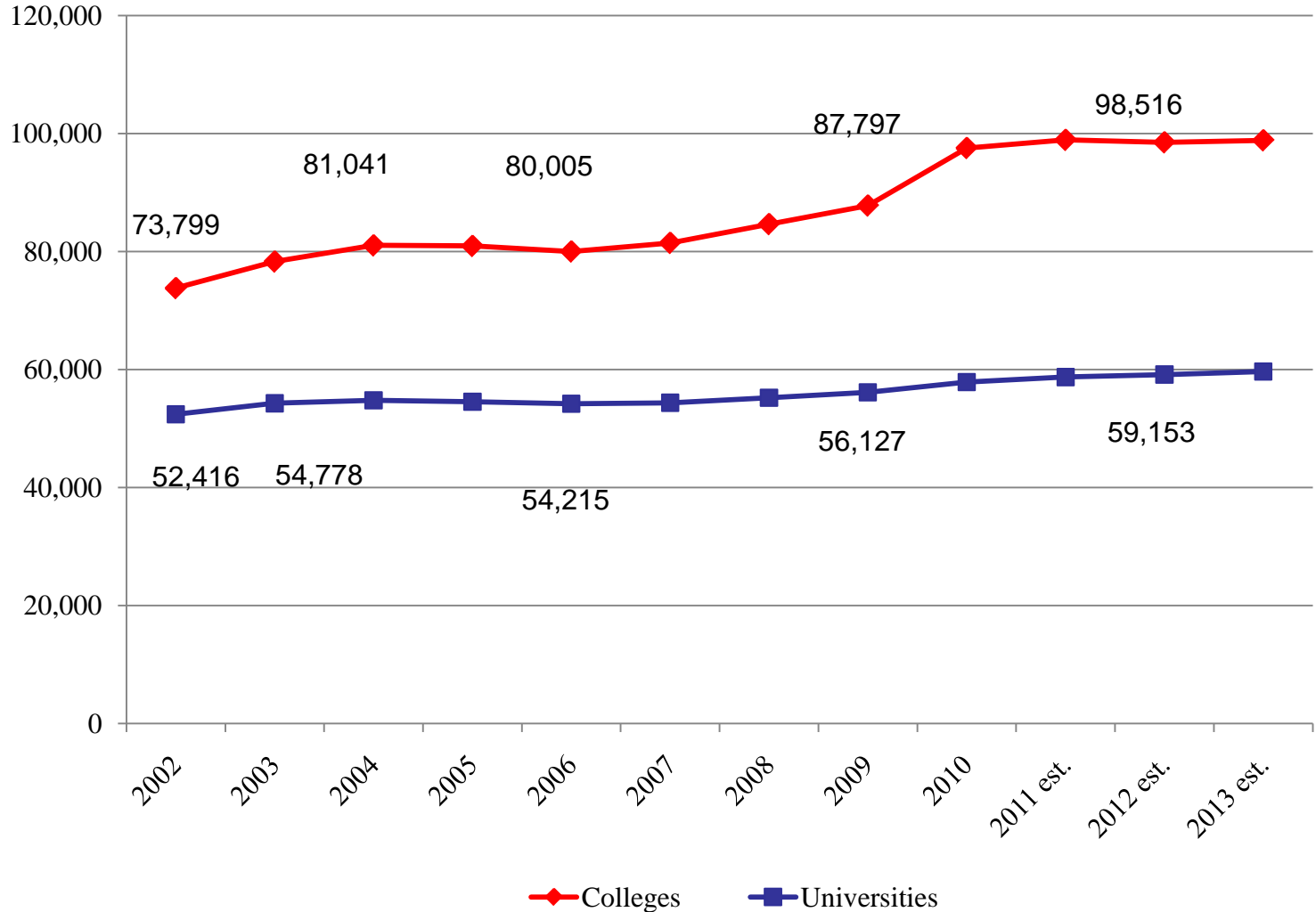
College and university operating budget overview: Tuition/appropriation relationship





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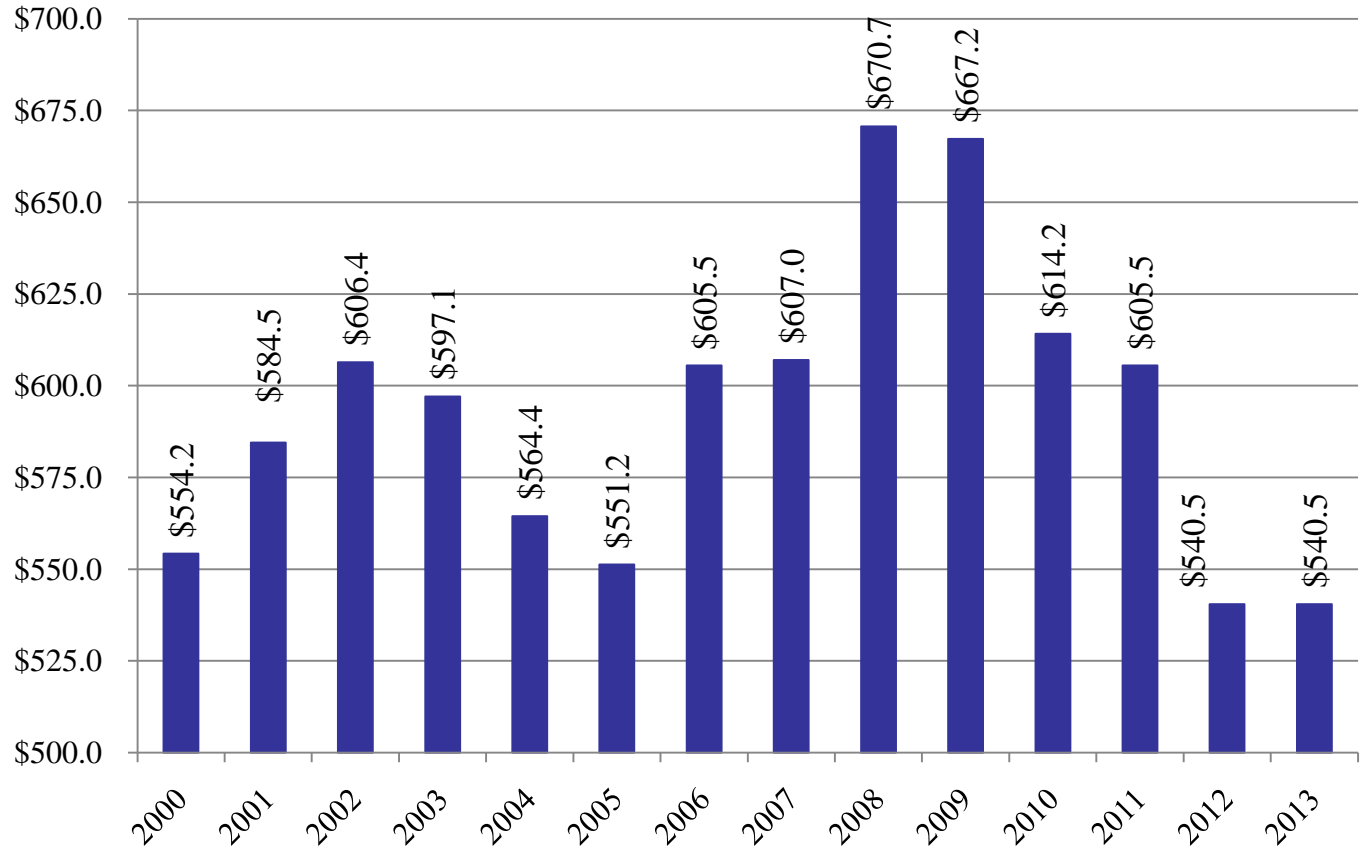
College and university enrollment growth





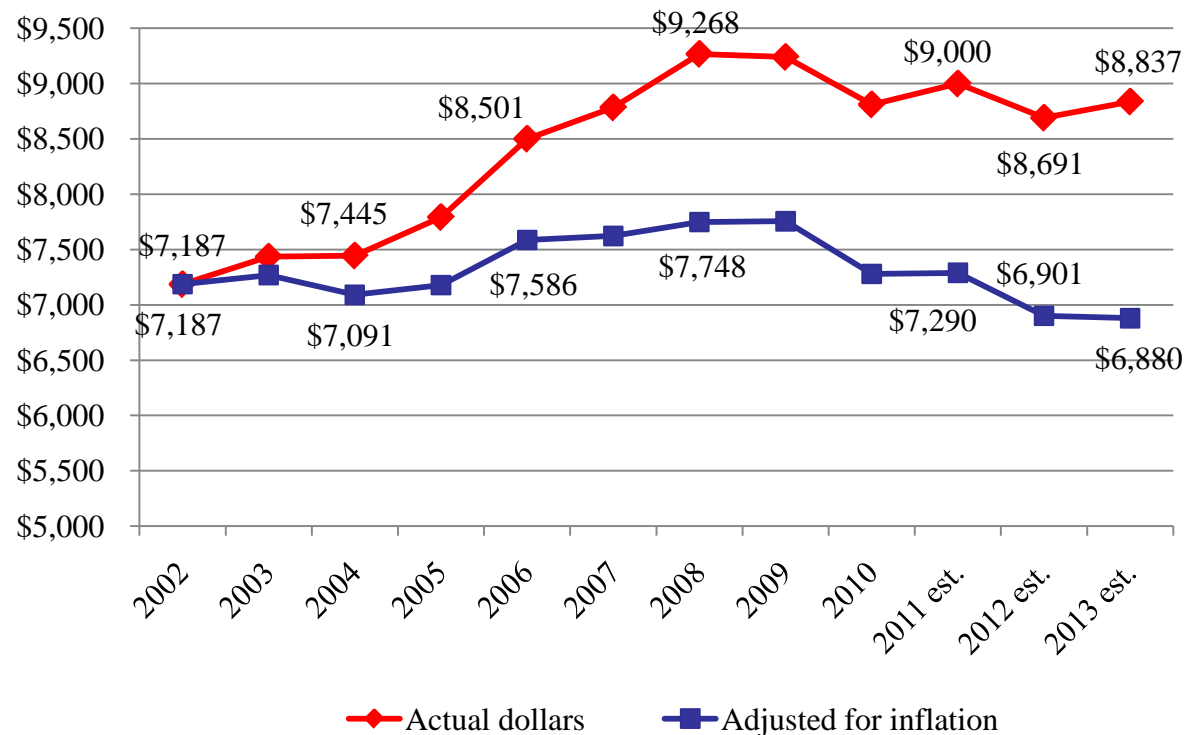
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State appropriation history





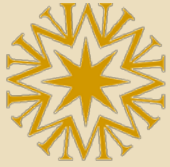
College and university operating budget overview: Total state appropriation and tuition revenue





College and university operating budget overview: All funds budget

(\$ in millions)	Fiscal Year 2011 Current <u>Budget</u>	Fiscal Year 2012 Proposed <u>Budget</u>	<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>	Fiscal Year 2013 <u>Forecast</u>
Revenues	\$2,052.1	\$1,975.4	(\$76.8)	-3.7%	\$2,006.6
Expenses	\$2,033.6	\$1,966.2	(\$67.3)	-3.3%	\$2,003.2
Budget balance	\$18.6	\$9.1			\$3.4



College and university operating budget overview: General fund budget

(\$ in millions)	Fiscal Year 2011 Current Budget	Fiscal Year 2012 Proposed Budget	\$ Change	% Change	Fiscal Year 2013 Forecast
Revenues					
State appropriation	\$605.5	\$540.5	(\$65.0)	-10.7%	\$540.5
Tuition	\$801.1	\$829.8	\$28.7	3.6%	\$860.2
ARRA funds	\$26.4		(\$26.4)	-100%	
Other revenues	\$126	\$119.6	(\$6.4)	-5.1%	\$120.2
Programmed fund balance	\$13.4	\$10.0	(\$3.4)	-25.4%	\$6.7
Total budgeted revenues	\$1,572.3	\$1,499.9	(\$72.5)	-4.6%	\$1,527.6
Expenses					
Compensation	\$1,128.9	\$1,099.1		-3.5%	\$1,123.5
Other operating costs	\$421.8	\$397.0		-5.9%	\$405.9
Total budgeted expenses	\$1,560.8	\$1,496.1	(\$64.7)	-4.1%	\$1,529.4
Budget balance	\$11.6	\$3.8			(\$1.7)



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College and university operating budget overview: Proposed average tuition rate increase

	<u>Fiscal Year 2011</u>	<u>Fiscal Year 2012</u>	<u>Change</u>
Average Annual Tuition			
Colleges	\$4,478	\$4,644	3.7%
Universities	\$6,196	\$6,497	4.8%
System	\$4,803	\$4,995	4.0%



College and university operating budget overview: Revenue fund

- Room and board
- Student union facility fees
- Wellness and recreation facility fees
- Parking ramp and surface lot fees



College and university operating budget overview: Proposed tuition and fees

Fiscal Year 2012 Proposed Tuition and Fees

Average two-year college	\$5,170
Average two-year college (includes student union facility and wellness center fees)	\$5,171
Average four-year college (includes student union facility and wellness/recreation center fees)	\$7,393

Note: The proposed tuition rates represent Board-approved rates.



FY2012 operating budget overview

- 14.3% decline in state appropriation
- Investing in technology, student services, programs, energy conservation efforts
- Tuition increases modest
- Efficiencies in administration and instruction
- Concern about long term viability



Recommended motion

- Adopt all funds and general fund budgets
- Approve tuition structure
- Approve Revenue Fund rates/fees
- Approve room and board rates for colleges