

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
FINANCE AND FACILITIES COMMITTEE
MEETING MINUTES
June 15, 2011**

Finance and Facilities Committee Members Present: Dan McElroy, Chair; Trustees Duane Benson, Christopher Frederick, Clarence Hightower, Phil Krinkie, and James Van Houten

Finance and Facilities Committee Members Absent: Cheryl Dickson and Michael Vekich

Other Board Members Present: Louise Sundin and Scott Thiss; via telephone David Paskach, Tom Renier and Christine Rice

Leadership Council Representatives Present: Vice Chancellor Laura King, Presidents Richard Davenport and Joseph Opatz

The Minnesota State Colleges and Universities Finance and Facilities Policy Committee held its meeting on June 15, 2011, 4th Floor, Board Room, 30 East 7th Street in St. Paul. Chair McElroy called the meeting to order at 8:05 am.

1. MINUTES OF May 17, 2011

The minutes were approved as presented.

2. FINANCE AND FACILITIES UPDATE (*Information*)

There was no update.

3. FY2012-2017 CAPITAL BUDGET REQUEST (*First Reading*)

Associate Vice Chancellor for Facilities, Brian Yolitz, reviewed the recommended Capital Budget request. The total request for FY2012 is \$344.2M which consists of \$110M for Higher Education Asset Preservation and Renewal (HEAPR), \$222.6M for 28 capital projects and \$11.6M for three system initiatives. The request is reflective of the Board approved Capital Guidelines and Directions. The program consists of 19 projects and one initiative that are carried forward from 2010 (\$193.4M) and nine new projects and two initiatives (\$40.7M) and is built on the assumption of no new capital appropriation in 2011. HEAPR projects consist of code compliance, exterior of existing buildings or infrastructure repairs and renewal. In addition \$90.2M designated for projects will address HEAPR-like work.

Mr. Yolitz reviewed charts showing program mix, institutional type distribution, history of prior budgets, and distribution by regions. The total potential debt burden of the program is \$344.2M of which one third must be paid by the system. This amount is divided equally between the institution and the Office of the Chancellor. The current annual debt service payments are \$15M by campuses and \$15M by the

system office. If funded, the FY2012 request would add \$6M to that amount. Vice Chancellor King remarked that the system's current total annual debt service payments as a percent of revenue are under 3%, and model as being under 3% into the future and compare favorably with our peer institutions.

Trustee Hightower expressed appreciation for lowering the total request. Mr. Yolitz noted projects were re-scored after the capital guidelines were updated in May 2010. Based on the revised guidelines, the Saint Paul College Health & Science Alliance Center design (#13) and Century College Academic Partners classroom addition design and construction (#14) were moved higher on the list because of high FYE growth and existing space limitations. He noted also that Alexandria Technical and Community College's project was moved down on the list in consultation with President Kopischke. Mr. Yolitz noted that the campuses did lots of work to reduce the scope and budgets of the submitted projects.

Trustees Van Houten and Krinkie both expressed concern about the size of the request, noting the recent reduced legislative commitment to capital bonding. Trustee Van Houten felt the vision for the proposal was not shared with the committee. Trustees Hightower and Benson disagreed with that observation by noting that staff had made presentations to the committee several times asking for guidance on the Capital Budget Guidelines and the recommended size. Chancellor McCormick also noted that the legislature has respected the staff's capital budget work and honored the list as presented in the past.

Vice Chancellor King remarked that the recommendation attempts to deal with congestion from projects not funded in the last two cycles and the system is struggling to find the funds it needs to preserve its assets. She noted that staff will be working on long term facilities and financial sustainability in the coming fiscal year as part of the division work plan. Mr. Yolitz noted that the system's facilities could expect continued degradation, inefficient educational space, and higher operations costs without capital bonding funds.

Chair McElroy asked for committee members to forward requests for changes to the list so that further discussion could take place at the second reading on June 21.

4. FY2012 OPERATING BUDGET (First Reading)

Associate Vice Chancellor for Budget, Judy Borgen, reviewed the materials that were prepared for the Board regarding the FY2012 Operating Budget request. The operating budget request is based on the appropriation in the conference committee bill that was vetoed by the Governor. It is in the best interest of the system to move forward with budget and tuition/fee recommendations so that colleges and universities can provide students with tuition and fee rates and estimated financial aid packages.

The Chancellor has recommended that tuition increases for FY2012 be limited to no more than 4 percent for college students (an increase of \$166 per full time student per

year) and 5% for university students (an increase of \$299 per FYE). This recommendation supports the Board's policy position concerning limitations on the FY2012 tuition increases but differs from the conference committee's bill which limited college tuition to 3%. If the final higher education appropriation bill limits the tuition increase, the proposed motion authorizes the Chancellor to make the adjustment and other technical adjustments. On average the total impact of fee increases is 2.7% (or \$13.66/per credit). Consultation on the fee increases have occurred with the state-wide and campus student associations.

The system's legislature request for the FY2012-2013 biennium was \$1260.7M. The Governor's recommendation reduced the system's base by 6% (or \$75.5M) to \$1,185M. The conference committee bill further reduced the system's base by 14.3% (\$179.7M) to \$1,081M. For FY2012, 85.2% of state resources received by the system are scheduled to be allocated to colleges and universities either as basic allocation or through priority allocations. Colleges and universities have been making tough decisions in anticipation of a reduction in state appropriation. Solutions vary greatly across the system, but include 81 program closures/reductions and elimination of 680 positions through attrition or layoffs, reduction of service hours to students and increased class sizes.

In FY2012 it is estimated that tuition will be 60.6% of the total revenue in the operating budget. This is a complete reversal of the relationship in FY2003 when state appropriation represented 60.1% of the total operating budget. If enacted, the \$1,081M biennium appropriation represents the lowest amount of state appropriation the system has received since before FY2000. The system is educating 43,000 more students with \$14M less state appropriation when comparing FY2000 with FY2012. Vice Chancellor King noted that tuition is not going up because of rising costs but is being used to replace the loss of appropriation. Chancellor McCormick also gave credit to the administration and faculty at the colleges and universities for the work they have done in to mitigate the effect of the decline in appropriation.

The state grant program and other programs administered by the Office of Higher Education remain unresolved due to the lack of a final higher education bill. Colleges and universities may make estimated calculations to aid students in planning but no awards will be disbursed until the higher education bill is finalized. State grants were rationed for the 2010-2011 award year to accommodate a projected shortfall in funds. It is expected the same rationing will occur for the 2011-2012 award year but at a smaller rate of reduction. Congress retained the Pell Grant maximum of \$5,550. Trustee Van Houten remarked that grants pay for 46% of the system's tuition.

In addition, fees for Revenue Fund facilities (room and board; student union facility fees; wellness and recreation facility fees; and parking ramp and surface lot fees) have been increased slightly to cover the operation of those facilities.

Travis Johnson, president of Minnesota State College Student Association, urged the committee to not set tuition rates until the higher education appropriation legislation

has been finalized. He noted the decade long escalation in college tuition rates has placed a burden on college students.

Trustee Van Houten expressed concern that the language in the proposed higher education bill directs the Board of Trustees to place the highest priority on meeting the needs of employers for a skilled workforce when making programming decisions. Vice Chancellor King agreed that an amended motion addressing the language would be drafted and presented at the second reading of the operating budget.

Chair Thiss announced that Governor Dayton has agreed that Minnesota State Colleges and Universities can continue to operate in the event of a state shutdown. The system is grateful that services will continue to be offered to students. He commended staff for their work with the Governor's office and Minnesota Management and Budget on this effort and thanked Governor Dayton for his support.

Chair McElroy adjourned the meeting at 11:10 a.m.

Respectfully submitted,
Nancy Lamden, Recorder