

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

ACTION ITEM
Fiscal Year 2015 Operating Budget (Legislative Update) Supplemental report

BACKGROUND

The Board of Trustees is being asked to approve the annual operating budget of Minnesota State Colleges and Universities and the tuition and fee structure that will be in effect from July 1, 2014 to June 30, 2015. This report summarizes the impact of recent legislative actions on the fiscal year 2015 operating budget and is in addition to materials previously provided to the Finance and Facilities committee.

EXECUTIVE SUMMARY

- The 2014 legislature authorized a \$17 million supplemental appropriation in fiscal year 2015 for the Minnesota State Colleges and Universities to support anticipated compensation increases for faculty over the 2014-2015 biennium. The appropriation is considered base funding and will continue into the 2016-2017 biennium. As of this writing, Governor Dayton had not yet signed the bill containing the new appropriation.
- The \$17 million appropriated in fiscal year 2014 for the retention of talented faculty and staff will be distributed to colleges and universities based on the 2014 allocation framework. These funds will also be used to support compensation increases for faculty and staff. The fiscal year 2015 supplemental funding will be distributed to colleges and universities based on the 2015 allocation framework.

LEGISLATIVE RESULTS

Minnesota State Colleges and Universities expects to receive a \$17 million supplemental appropriation in fiscal year 2015 to support anticipated compensation increases for faculty over the 2014-2015 biennium. The appropriation is considered base funding and will continue into the 2016-2017 biennium.

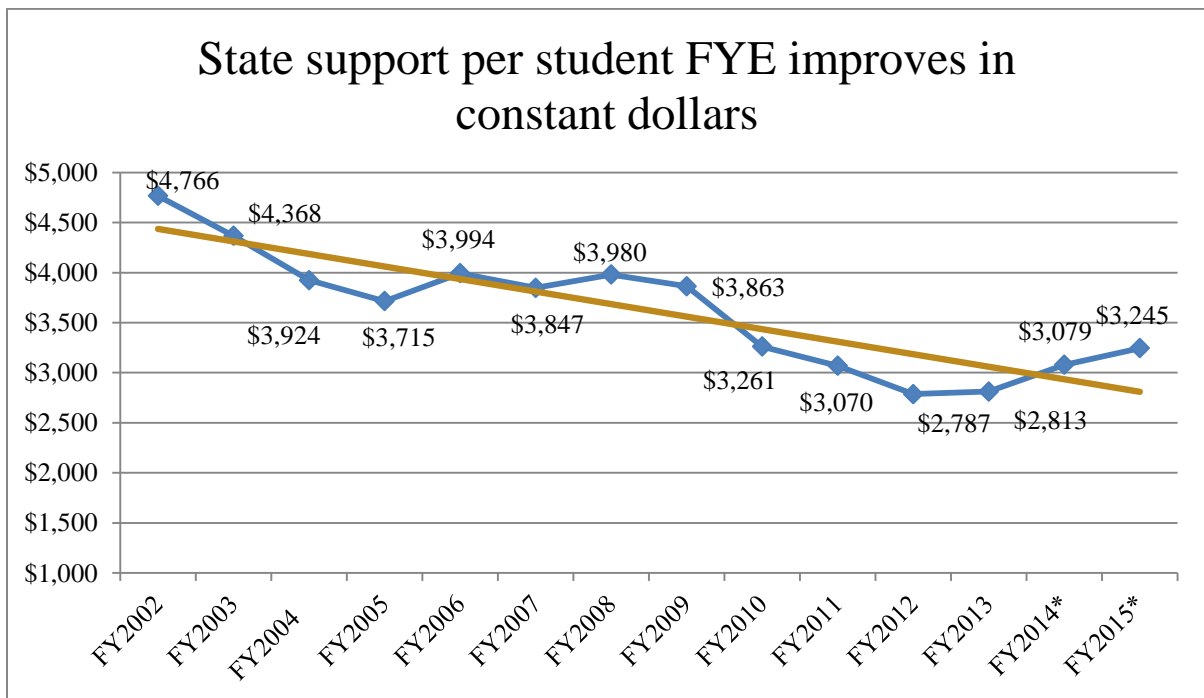
Minnesota State Colleges and Universities initially requested \$31 million in supplemental funding to support compensation cost increases. The request stemmed from a shortfall of on-going funding from the 2013 legislative session and higher than planned contract settlements for classified employees in contracts negotiated by Minnesota Management and Budget. Supplemental funding was requested to provide settlements with our faculty units that were similar to the settlements of our classified employees.

Although the \$17 million in supplemental funding appropriated in fiscal year 2015 is \$14 million less than requested, the gap between available on-going resources and estimated costs has closed considerably and we are hopeful that contracts will be settled soon. Negotiations with the Inter Faculty Organization (IFO), the Minnesota State College Faculty (MSCF), and the Minnesota State University Association of Administrative and Service Faculty (MSUAASF) are scheduled for May 22, 2014.

2014-2015 STATE FUNDING UPDATE

With the additional \$17 million in supplemental funding, state funding for Minnesota State Colleges and Universities will increase from \$605.1 million to \$622.1 million in fiscal year 2015, an increase of 2.8 percent. State funding for the 2014-2015 biennium now totals \$1,210 million, \$118.8 million or 10.9 percent greater than the prior biennium.

As **Chart 1** illustrates, MnSCU is also seeing continued improvement in state support per student when adjusted for inflation. Between fiscal year 2002 and fiscal year 2012, student support per FYE decreased (in constant dollars) by over 40 percent to \$2,787 per student. During the 2014-2015 biennium, state support per student (in constant dollars) is expected to increase to \$3,245, a 16 percent increase over fiscal year 2012 levels. Note though, that even after the strong increase this biennium per FYE, funding remains 32% below 2002 funding levels in constant dollars.



*estimated

Chart 1

NEXT STEPS

College, university and system office budgets are now being finalized and will be provided as a part of the June Committee materials. Staff is also working to update the cost of attendance analysis. After all the individual budgets are completed, the system level all funds operating budget will be prepared and incorporated into the June committee materials. The Finance and Facilities committee and the Board of Trustees will be asked to approve the fiscal year 2015 operating budget including the tuition and fee structure and revenue fund rates and fees at the June meeting.

Date Presented to the Board of Trustees: May 21, 2014