

BUDGET SUBMEET & CONFER

Tuesday, April 16, 2019

1:00-2:30 p.m.

CSU238

Please note: Budget SubMeet & Confer agendas and supporting documents are located on the Budget Website: <http://www.mnsu.edu/finadm/submeetconfer/>

Attendees: Rick Straka, Lisa Baures (Co-Chair), Greg Marg, Miriam Porter, Claudia Pragman, Leah White, Bryan Schneider, Matt Clay, Jane Kolars, Jane Lange, Joe Lehman, Anne Ludvik, Deb Norman, Mark Constantine, Jean Clarke, Mike Peters, Kevin Buisman, Marilyn Wells, David Jones, Matthew Loayza, Jean Haar, David Cowan, Steve Smith, Matt Cecil, Brian Martensen, Kris Retherford, Brenda Flannery, Robert Fleischman, Skye Dauer and Vickie Hanson

1) Changes/Additions to the Agenda-None.

2) Legislative Targets for House/Senate vs. Governor (Straka)

The System asked for \$169M. \$149M of that was for a 3% increase in our budgets and \$20M was to make up for the shortage in this biennium's shortfall. The ask of \$169M with some special language, workforce challenge, transfer grants and ISRS Next Gen total ask was \$246. The Governor's recommendation is for \$64M. \$56M of the \$149M we asked for operations, but the Governor did leave the door open for tuition increases. The Governor's plan was silent on tuition. If we were to have a 3% increase in tuition we would be fairly close, a little bit below the \$149M. The House did give us the \$149M. It does reflect a 3% increase in our overall spending budget. They do have a tuition freeze in the House language. The Senate is recommending \$4M new dollars for operations for the System. They have a 2% cap on university tuition for the first and second year of the biennium. They have a 2% cap for the colleges the first year, but a 1% cap the second. That is dangerous to me. Because the last time that happened, what the System did was in order to make them equivalent to what the universities were able to raise in tuition, they took that amount off the top of the new appropriations and said let's make the colleges whole and then they ran things into the appropriation model. The subsequent effect of that is that they end up with a lower to revenue buy down in the model and it leads to them getting more appropriation going forward. In theory they were making them equal in tuition, but what happens is the way they are treating it in the allocation model is treated as appropriation, which is beneficial to the two years and resulted I believe in some shift from the universities to the two-year colleges in the way they treated that difference in tuition cap.

The Senate put a little bit of money towards some workforce challenge, but the Governor, House, Senate did not fund the C Promise or U transfer grants. ISRS Next Gen we had asked for \$37M, \$18.5M/year, the Governor gave \$4M a year for 8, the House gave \$6M the first year, \$4M the second with a \$4M base forward of \$10M. The Senate did give us more money for ISRS Next Gen. They gave us nothing for operations. This is setting up for one heck of a Conference Committee. This is going to be an interesting year and I don't think we are going to have any idea what may come out of Conference Committee until a week or so before the session is slated to end, if then. The Governor has said he wants all of this to happen earlier, we've got to see fairly transparently the targets and plans which is better than it was a couple of years ago in the biennial operating budget. There is a really big window between the House and Governor and where the Senate is at. The other thing I need to point out about the Senate bill is there is language right now in the Senate bill that would eliminate online differential tuition across the System. Local impact is about \$2.5M. System-wide \$65M is generated with online tuition differential. What the bill says is any course that is offered online cannot cost any more than the same course face to face. My first reaction I see people doing is great we will eliminate the face to face class and then there is no comparative class and we will be able to have the tuition differential. I don't think we are going to be

able to play those kinds of games, I think the language will be tightened up to not allow that. Spirit of the language, you should charge what you are basically charging for your course face to face should be the same that you are charging online. We don't know how that might be impacted as we go forward. We don't know how that will impact our new tuition policy at the System that says distance only online programs are market rate and market driven. I don't know yet whether this language will supersede Board policy on tuition. I think that is something we will have to figure out as we go along. I haven't been able to get an answer on whether the Board policy will allow us to have different rates for online only programs or not. If it comes in somewhere near the House or Governor it's an o.k. biennium. It's not a great biennium, it's an o.k. one. Its o.k. if our inflation is somewhere between 2% and 3%. If our inflation is more that is all going to be reallocated and that is the best case House and Governor scenario. If they meet somewhere in the middle, then we are probably looking at inflation that would cover between 1%-1.5%. If we get to the Senate's version, point something percent is what it would cover. You can see in the Senate some messages being sent by the Republicans. I am going to tell you this is the national dialogue and the state legislation national dialogue around higher ed right now. People think that higher ed is too expensive, they have seen that tuition has gone up, they don't look at the fact, they are looking at the price of education which is what the students pay as opposed to what the cost of education is, which is the reason tuition has gone up 34% in 20 years mostly replacing state aid that was there. That discussion remains very quiet in the public matter of public opinion and especially with state legislators.

I really don't think we are going to have much more information than this before we have commencement and before we have our appreciation breakfast at the end of the year. When we leave for summer we are still going to be wondering what happens in Conference Committee with this information. We are talking about next biennium, July 1 and after what will happen. Then we go back to the reason we are having a budget open forum tomorrow from 12-1 p.m. in CSU245 and Thursday from 2-3 in Ostrander. We are having a presentation at the Board of Trustees tomorrow about the Bell Program Iron Range Engineering an expansion of a community college two plus two program for community colleges across the country and expanding our Iron Range Engineering into a new program that is cooperative based. The students would come in for 5 months and have a really intense engineering background and then would go out and do cooperatives with their employers and do two years of cooperative project based learning. All of our original plans were that meeting would have been today. The BOT meeting is at 8 a.m. in St. Paul, so I did have to move the open forum time from 11 to 12.

3) Update on FY19 Structural Budget Deficit (Straka)

We have \$50M of new money in FY18 and then we had \$10M less in FY19. Both the Governor and House if you go back to their proposals, they are going back and reverting to the traditional biennial budgeting, which is approximately one-third in the first year of the biennium and then two-thirds. Which is very different than what the Republican lead legislature had done. They gave us \$90M in new funds. Traditionally we would have gotten \$30M, then \$60M had a \$60M base. It was with great intent that the Republicans to do that and the way they framed that is we are working on slowing or stopping the growth in state government. That is how the issue was framed.

What they did with the \$8M was college tuition relief. We were able to raise our tuition by 3% and the colleges by 1%. They gave that amount in the first year that \$8M came off the top of that money and went to the colleges. Then they instituted the collaboration money and took that off the top and here is what was left to go through. The important things, the first year of the biennium, when we look at our share of that the \$39M that came through the framework, we had about \$4.1M. We had \$8M of revenue in the first year, we actually ended up with almost \$1M less in the second year. We got to increase tuition the first year and got our appropriation and the next year though we get \$390,000 for graduate increase in tuition, we actually had \$1.2M less in appropriation in FY19 than FY17. We had \$7.2M in new revenue over the biennium and \$9.4M in new expenses. We knew by the end of the biennium we were going to be \$1.2M short. Then we knew early on that in FY18 we had an enrollment decline and that is

about \$1.2M short. That is the \$2.3M we were talking about and this year we are down another 200 FYE, another \$1.7M so that gets us \$1.1M that is \$4M. We did have some other changes we made to the base. We added the grad assist stipend changes, we used one time money for this year but if we are going to continue doing it we need to add it to the base budget. We added the Advising Director salary and fringe, then we have a whole bunch of Minnesota State chargebacks. Our chargeback for HR TSM, Marketplace (to do our new purchasing system and how we will be doing contracts), transfer evaluations software, job description software, Office 365 chargebacks. Athletics NSIC streaming mandates, they changed the number of events and which events and how many cameras and sound we needed for different events. We did have an increase in utilities. We have saved utility money but I think it would have been bigger had we not done the GESP energy savings program, but it's not like we are saving all of that money because we got the capital to do it. The savings are paying back an 18 year lease on the energy enrollment program.

Enrollment management for the last 3-4 years we have been making sure that we increased the amount of our recruiting, advertisements and marketing. Purchasing Facebook ads and other social media ads. Since we were into our third or fourth year of doing that it made sense to say we are going to do that every year now. What I did build in was, Steve did an analysis over the last five years, and looking at that I'm comfortable in saying, we have salary savings (salary and non-salary). I budgeted that amount in the individual cost centers and either there is always a turnover in positions so there are some savings during the year, this is very separate from bargaining. It's not what the bargaining was versus how much money we got, but what we budgeted and then were there position vacancies during the year. I'm comfortable in saying let's build in about \$2.4M a year. When we look at that that is about \$4M. But we know moving forward there are some other things that we are looking at for investments as well. We are looking at the advising center and student success. The President has asked the various divisions, to bring him plans for \$6M in reductions, so it's not across the board. We will be talking about that tomorrow, we don't have the details of what those are yet, but people are working on those reductions. Then when we apply them we will look at whether there is more investments we need to make and then some areas may be held more harmless than others in order to say that we really don't end up with an across the board. But in order to get discussions started and to get people to have an idea of what kind of levels of reductions they might have to come up with, we had to set some targets for people to say here is a ballpark of what you need to be looking at and give them some targets. That target was based on \$6M. I don't have the details of what that is going to be. This is going to be a lot of the discussion of the open forum tomorrow. What we are presenting here those attending Budget SubMeet & Confer and Meet & Confers have heard a lot of this.

Porter-I'm not sure why we went up to \$6M? \$4M we know and that is a problem for us, so why are we making our problem worse? Straka-That is an interesting way to phrase it and I'm not sure I would agree with making it worse. What I will say is in order so the end result in not an across the board, we set the targets higher. We set the targets higher because we are going to end up with a \$4M reduction, but I need \$6M because I'm not going to hit everybody the same. It was clear the last time we went through this the message from the university community was, do not do across the board. Porter-How is the Strategic Budget Planning Process factored into this? Straka-The Strategic Budget Planning Process is absolutely. Those areas that are in reduction and reallocation are absolutely being looked at. Unfortunately, what I will tell you, it's all out on the website, go out and look at those programs. Many of them are paper program changes. They may not result in a single less class section being offered. But the program may be reduced or eliminated. So a certificate may just be a collection of courses that already exist in the curriculum, so if we eliminate the certificate option, will we really eliminate savings? We are not going to get to \$4M or \$5M if we want to make \$1M of investments and there are some areas where we have already made some investments. Some areas where we committed to investment that have been reallocated already within Academic Affairs are nursing (a couple of positions added with the understanding that we are going to increase the co-horts and its going to result in we know there is demand there). We've reallocated in automotive engineering and technology and aviation. Are we going

to say everybody that is in a category of candidate for investment, will get money, no. Will everybody's program that is in the reduction/reallocation be completely reduced? No. But is the information within those plans driving our decisions, yes. Here is one of the issues we have and it's in the Strategic Budget Planning Process and it's one of the things we are looking at the assessment. We didn't force drive any number of programs into the candidate for reallocation and reduction. So on the non-academic side, we ended up with no programs in reduction/reallocation. Do I think there is no room for reduction/reallocation or for us to revisit how we might do some things in the non-academic areas? No, I don't think it's right that there is no place there. Will some areas in non-academic probably see reductions, yes. Even though they weren't slated for. That is an issue. Had a good talk with Larry Goldstein along with Robert Dickison who are probably the two industry leaders in higher education prioritization and resource allocation. Larry and I were talking about our process and one of his suggestions was that is why they force people into quintiles when they do rankings. They force 20% of the people into reduce/reallocate. We didn't force that here. It's something we are looking at. It's one of the things the feedback we got through the process, is we didn't force enough programs in that area to really look at. Wells-In Academic Affairs we had 9 programs that choose not to participate in the Strategic Budget Planning Process that does not mean that they are exempt from any kind of reallocation. Straka-The process was never intended to spit out through the metrics here is where you are going to make the cuts. It was intended to say, here is information for management to use and help in saying where should you make some cuts. Use the data that was brought forward from that. I can absolutely tell you that is being used to make decisions. In looking at where we will have reallocations and we have made some investments and where we will make some investments. It's an important question and one that I expect to get questioned pretty heavily on both tomorrow and Thursday and I'm really o.k. with that.

One of the things I might add to that in the structural budget deficit, I will confirm that we are trying to shape a BESI program to be announced between now and commencement. With a timeframe hopefully in announcing the ability to look at it, the time to look at it and time to submit it. With a similar timeframe like what we did in 2016. I do expect that we will announce a program where there will be a significant BESI, we haven't decided on the final figures. In 2016 it was 67% of your salary if your position is not replaced and then using CUPA data to see if there can be some partial savings. Again, that is most likely going to be applicable to faculty. Most likely not applicable to classified grids or ASF grids because we can't guarantee where people will come into those grids. We may rehire someone with a lot of experience who may come in at or at the same or even higher than someone at an existing grid. Baures-What was the percentage? Straka-67% of your salary (not salary and fringe), if your position is not replaced. If it is determined that your position will not be replaced. Then it was equal to the anticipated difference between someone who is retiring and their replacement. Let's know that even in the academic areas there are fields right now where that will be zero. Because as we are hiring new people at the same or similar rates to what people are retiring and in other fields it will be significant from a full professor to new assistant professor. That is something we will be coming out with. I hope to get something out within the next couple of weeks. We have to get our plan approved by the System Office. The MinnState policy that allows BESIs sunsets on June 30 and the Legislation that allows that sunsets on June 30. That doesn't mean someone has to retire by June 30, we are discussing as part of the things that we still need to finalize, is what will be the final date that we would allow. I'm not sure we are looking at anything past six months from June 30 and it may be less than that, but I'm not sure we will entertain someone saying I want to retire a year or two years from now. We need to get more immediate savings on this. The BESI was developed as a management tool for budget savings, it's not an employee benefit. It may seem like that but that was not the intent of the BESI program.

Baures-Is there going to be any kind of limit or number of BESIs, or dollar amount? Straka-We don't have that right now. The interesting thing for me will be if there are multiple people from an area that is only going to lose one position, how do we deal with that? I was involved in a case at South Central where something like this came up and by their contract at that time, it was a coin flip. I don't want to go

there. So the question is, would you split the BESI and give them all a little enhanced BESI or is it first in? That is the only limit issue that I see. Not everybody that would like to say, please don't replace my position, that is really management's decision whether the position is going to be replaced or not. That is going to have to be at the discretion of the division that people are applying from on whether the position will be replaced or not. We are not actually proactively going to say, these programs are eligible. There will be a time period where people will submit. They will submit directly to HR and that will be a confidential submittal and only after someone decides they want to accept a BESI will it become known. We don't have a dollar value in mind. I have a hopeful value in mind. The last time we did this I think we were around \$1M. Wells-Some of the things we have looked at how would we deal with the scenario if someone was slated to go on sabbatical next year and decided to withdraw their sabbatical and do a BESI? There are those things that we would be able to work through.

Constantine-Is reducing athletic programs on the table? Straka-I would say at this point in time, no. I'm going to be honest with you, in order to get a significant savings what we are actually looking at is a possible plan of increased roster management as a revenue enhancement from athletics that by asking certain sports to take on more athletes that is actually going to generate students who otherwise wouldn't be at the university. There is an area where we are looking at some non-sport areas where we may look at some reduction in athletics. Constantine-I only bring it up because people around me are talking about it. I'm a huge supporter of athletics so it's not something I would be in favor of, but you hear people talking about it and thought I would ask about. Straka-That is a good question, where will intercollegiate athletics go is an interesting question. I will tell you that I know at the Division I level and other places, attendance and other things, there are some financial sustainability issues about the arms game in Division I athletics. There are some concerns in Division II, our conference has entertained at least having a discussion about changing some bylaws about required sports. They are entertaining the possibility of saying right now we have several sports that are required to be a member of the conference. In general at Division II athletics are considered an enrollment management tool. In football we have 90 athletes, we have about 30 scholarships. The students are paying/bringing in two-thirds on average of their cost of attendance. Other sports are much more than that. Baseball has 25-30 athletes and 5 scholarships. Wells-Part of our budget scenario we are talking about reductions today, but we've also talked some about revenues, but part of revenues is retention and our student athletes have amongst the top GPAs in the university and high retention and graduation rates. Straka-If we don't have the sport here they are not here. They will go someplace to play their sport. They are a little bit unique in that way. Ultimately, is it considered at the highest level of do we even have initial discussions about it. Yes, I believe the Cabinet has tried to look at all possibilities and what the implications might be.

Baures-When you are looking at cuts, are you looking at a percentage of cuts coming from non-academic programs and a percentage coming from academic programs? Straka-We do not have a set percent. Again, we will look at what plans come forward for \$6M and then we will try to prioritize and look a little bit as well at what was the results of Strategic Budget Planning where are they at and where do we think there are priorities. I don't have a predetermined percentage that is coming from instruction versus non-instruction. Wells-We also have our areas of investment, a number of our areas for investment in Academic Affairs with non-academic programs. Things like Accessibility Resources that are critical areas, so we are looking at what that balance is. Straka-Every one of our colleagues and our sister institutions are going through this. I would say the vast majority of states across the country are going through this.

Porter-It makes me wonder if we are doing enough PR for ourselves. Because we are affordable and when we look at student debt and compare ourselves to a private institution we are much below that so I wonder if we are not getting that message to the public. Straka-They are comparing expensive and very expensive. Honestly that is the frame in which it is framed. MinnState did a marketing effort last year and I will tell you the basis of that marketing factor is we are the cheapest place you can get education, we are the Dollar General of education. I think there should be a value statement in there that we are a great

value as opposed to just we are the cheapest. Porter-We are not hearing that out there we are hearing about student debt. Wells-Where the private schools are attempting to eat our lunch, is yes they are more expensive and they can guarantee students can get out in four years. Where we haven't always. Students may come here and take 5 or 6 years and at the end of the day, that has been a marketing message they have been using or a strategy they have been using, so all the more reason to do the things that we do well. Not that every student is going to get out in four years, but timely completion is important to our student population and their families. Straka-Because they have so much institutional money with tuition discounting and everything they do, the selling point of the privates right now is we can probably get you to within a couple or \$3,000 to \$4,000 a year of what you would pay at a public school and so by doing four years instead of five they are actually marketing a way in which they are saying you will actually get out. At the end of five years you will be better off because you're earning money the fifth year and even if you have more debt, you will have earned more in that first year than the amount of debt you owe. There is a whole lot of framing going on all within higher ed and by the public. You would be surprised by the difference in debt from our students who have debt versus others isn't maybe as wide as you would think. The privates have had tuition discounts so much, they are over 51% discounting right now. They are struggling financially right now. One of the schools I'm aware of hasn't give a raise in four years. This year did give a \$250 or \$500 one-time stipend to their employees. Meanwhile, their insurance coverage has eroded every year as well. There is a lot of belt tightening at the privates as well.

4) FY20 Institutional Equipment Proposal-Straka

Each year in our annual base budget spending plan, we set aside \$1M for institutional equipment. We had a subgroup of members from this committee meet on April 3 to review 65 different requests for this funding source. That totaled a little over \$2.5M in requests with \$1M to make recommendations. The committee met and made recommendations on what would be funded and what couldn't be funded yet at this time. That was shared with you via email yesterday. We welcome your input on these requests and if you have feedback on the request you can share that with me or Rick. The next step in the process is to move along to President Davenport and Cabinet for them to review and decide what will be funded. In past years when we haven't had a structurally balanced budget sometimes the Cabinet has chosen to delay funding or not fund it or partial fund it, so I imagine some of that may be on the table. Feedback or comments should be provided by Friday, April 26. Straka-I'm not sure Cabinet is going to be ready to make a final decision on this yet, we are still going to have to take a look at what level of reductions we are able to realize right away next year. What kinds of reductions might need some bridge funding to get us there that they may not be fully recognized for a while and we will have to take that into consideration as to what we do, how much of this we would approve. I can tell you my base feeling is, I want to have something there because it's an area if you just skip a year it seems like it takes you a while to catch back up with equipment and other investments. But on the other hand we do have \$.5M of leveraged equipment for those high demand programs that can help soften if we do only a part of it. We may still end up with an equipment allocation that was pretty consistent with what our base has been before we got the leveraged equipment about four years ago. It's going to depend where we are at with the rest of the reductions and how much bridge funding (how much we are willing to spend down our reserve) to implement some of the reductions.

5) FY04-FY18 General Fund Staffing Trends-Straka

This is something our bargaining leaders have asked for. What we have done in the past where we have had some comparison columns, we haven't put a comparison column on. As you look we have tried to put what our staffing is. One by bargaining unit, one by division that is classified and unclassified and then we have college by college within division by classified and we have an FTE by program code. A couple things to note, we have had some reorganizations in the last 14 years, so we hope we have house kept all of those and tried to make them consistent throughout, I cannot guarantee that. This does not

include any FTE related to graduate assistants. We do know that the graduate assistants are often part of our staffing plan and that is a piece of the picture that this doesn't really show. There are some pretty significant changes. We know in some areas we have seen graduate assistant positions combined into classified or unclassified positions. We know that we have seen certain types of positions move from one bargaining unit to another bargaining unit as our SRC have been traditionally IFO positions and moved into ASF. We've seen more movement lately, where ASF positions were moved into MMA or MAPE. There has been some shifts of those things and it's hard to call them out. I don't know that this has all the answers but it does give a trend of where the changes have been in staffing over the year and we try to underlay to that what the student enrollment was. Our student enrollment for this year is about 13,250 at the end of this year. That would be close to 2004-2008. You can see where we made some significant reductions between FY09-10, that was the first major round of reductions we did and we did another set of reductions going into 2016. Those are the two areas where you can see that in my tenure here in 13 years, those are the two years where we had significant budget reductions and you can see that impact on the staffing that followed.

6) Enrollment Update

Straka-An enrollment update for this year, spring semester we were much better spring to spring in comparison than we were fall to fall. I deal more with the annual kind of stuff so annually we have projected to the System Office that we are going to be 200 FTE down from where we were last year. That was our February projection. Jones-Looking ahead to summer we are even with where we were last summer. For the fall we continue to be trending down in our undergraduate applications, down about 1,000 applications compared to where we were a year ago, 8.9%. Graduate continues to be up, it's up 5.8%. When we look at our enrollment confirmation, students who have told us that they are coming this fall, our undergraduate first time full time traditional first year student we are up .5%. That has been really high earlier in the year. That is a direct comparison to last year, which was our fourth largest class in comparison to the two previous years we are 7% and 18% up over those previous years. For new transfer students we are down 4% that continues to bounce up and down.

Straka-Being down in our spring where we are down 38 students, that's significant. We are by far the smallest decrease within the universities. We are bucking the trend but hopefully we can stabilize our enrollment. We are still in the midst of the longest recession free run that the US has had.

7) Summer Update

Straka-Lisa and I have talked about how we might want to give an update during the summer. I don't expect that we are going to see resolution with the state budget and biennium to really know what is happening until late May from the Legislature and then we will have the Board of Trustees meeting in June and they will make a final decision on tuition. We were discussing the possibility of doing some type of an open budget forum during the summer that would maybe not be an official meet & confer, although that is still in discussion, but to do a general budget update and get people an idea in mid-summer. What we are thinking offering again the ability to join virtually through Adobe Connect. We would like people's feedback about a mid-July budget open forum to share with the university community the results of the legislative session and the Board meeting.

\$4-\$5M sounds like a lot but it's off a \$157M budget. We are going to focus and make some decisions that will be painful in areas, and I don't want to downplay that in any way. But I also don't want to say, we have handled this before and have had these kind of adjustments to our budgets before, the goal of this is to make decisions that will set us up for success for the next 5-7 years. I think we have done better in the last 5-7 years than some of our colleagues because we made some of those decision as difficult as they

are and we are going to have to make some difficult decisions. I still think we are a great university and I still think we are going to continue to be a great university. We are going to change people's lives through education, so I don't want us to lose sight of that either. I don't want us to forget about all the amazing things that we do and will continue to do. I don't want to downplay that there will be some difficult decisions we will have to make, but I'm comfortable that we can do this. The last thing I would ask us to do is we not try to pit ourselves against ourselves. Try not to pit department against department, division against division and spend our time trying to move forward. Hopefully we can look forward as all of us with the best intent of the institution as a whole and our student body as a whole and move forward and center our resources on those areas we believe are the highest priority. It's important that we do this together. This institution has an amazing history of having very difficult discussions but we do it in a very professional way and we do it in forums that are helpful. We don't have a lot of blogs out there with lots of information. We don't have lots of secret letters to the local newspapers, we don't have a lot of those things. I think we are very open about having very important and very difficult discussions. I hope we continue to move along that way. I have great faith in the institution. We do take people's feedback into consideration about areas we should prioritize or things maybe we shouldn't. Input is welcome at the Budget Open Forums and on the Budget Website. People can send me input directly, I've gotten some pretty direct ideas already. In a good way. Some of the stuff I've gotten, I may not agree with the extent of what has been given, but the idea of prioritizing this over that, absolutely. I've gotten some really good feedback. What I enjoy about this university is the people do feel that they can speak out and give input without retribution, because I believe we as administrators do receive that. My solution does not have to be the solution, I don't care. I want the best solution for the institution as we move forward.

Baures-What impact will the budget of other state universities in the System have on us? Straka-In the short-term I don't think there will be any impact on us. In the long-term there is a few institutions that I worry about. I am worried about St. Cloud. I generally care about my colleagues at that institution and I care about that institution and I don't know how they are going to stop the spiral that they are in. They are projecting to be down to 9,470 FYE in two years. They were at 15,100 in 10 years they will have lost 35% of their enrollment, that is staggering. I do know that they had stabilized their cash last year and rebuilt their reserves a little bit so in the next year or two I'm not so worried, but I do worry what the long-term impact could be. Because now the allocation model is starting to catch up with them and even if they stop the enrollment decline now and they stop the tuition loss, they are going to be losing appropriation for another 5-10 years just because the model will catch up with them. I do worry a little bit about the way our allocation model works. Over the last few years there has been a shift of some appropriation and share of appropriation from the universities to the two-year colleges. Again, I would say about us as a System, I don't want us to set up us against them. It's not the universities against the two year colleges. It's how we as a System best educate the populous in Minnesota and find the most financially sustainable way to do that as well. Not just financially but how do we keep the best quality and best value we can as we try to find financial sustainability in higher ed. Martensen-We rely on the community colleges for transfer students. We want them to stabilize their enrollment. Some of our best transfer institutions are doing pretty well. Almost 30% of our students are transfer, not necessarily from MinnState schools.

Cowan-How do you address those parents that say there are these jobs out here in the private sector, why should my kid go to MinnState as opposed to going to work? Jones-It does come back to the value consideration that it goes with the lifelong earning potential with a college degree is significantly different than those with just a high school degree. Almost all measures from quality of life, how long you live, everything works in your favor with a college degree. Cowan-Is that message really getting out because

they are looking at the help wanted ads and the kids broke and their broke and it's very tempting to just say we'll wait a year. Constantine-It's getting out in the CSU bathrooms bulletins because I put that statistic up this week "student success". It's exactly what David talked about the lifelong and the statistics are between 75% and 80% lifelong earning potential is higher. Wells-It's an opportunity for all of us, one of the challenges facing higher education is the value of a higher education degree and how we can all talk about that in our daily lives.

8) Rumors / Other

Baures-Were the Deans given a mandate to cut? Straka-Yes, absolutely. There is an expectation. Not everyone will share equally, but the \$6M has to come from somewhere and then whatever we decide, whether it's \$5M or \$4M that has to come from somewhere. I'm not sure that I'm going to see any area that is completely held harmless. With 70% of the budget in Academic Affairs that is a fair assessment. Wells-We would be irresponsible if we didn't. It's all of us expected to be good stewards of the money. Straka-Every Vice President is expected to bring back to the President a proposed reduction list. The first set of targets is across the board. The reason we made it bigger was so that when we look at strategic budget planning and look at where we ultimately decide to reduce or invest, the end result should be guided by the Strategic Budget Planning Process. Again, not completely, it's an important piece of information for us to use in deciding how we are going to allocate resources. I can tell you we've used it to make investments already in Academic Affairs and also had significant discussions regarding those areas that are in reduction/reallocation. Baures-For the budget exercise, was there a percentage that they were targeting for? Straka-Their percentage of \$6M. Baures-How are those percentages determined, was it just even? Straka-No, it's based on their spending, their budget. Wells-Each of the colleges are very different and strategies that work in one college may not work in another college. How could we be most responsible with each of our colleges and some colleges are growing rapidly and some have had pretty precipitous declines. For example, our adjunct spending has doubled, but our student enrollment has stayed the same, how can we be more responsible and more efficient. Straka-There is a lot of data that we are looking at in detail. I will tell you at the Cabinet level we did it by division.

Kolars-Has there been discussions with the System Office about how they can cut back as far as the chargebacks. Straka-Politically that is not a discussion that the President or I can have directly with them. The Legislature has frozen their appropriation for the Central Office for the last number of years. I am sure the Presidents can ultimately say a little bit. I will say this, I don't think they feel as free to share their budget input as our employees feel here at the institution sharing their budget input with our leadership. Are they aware? Yes. Do bargaining units talk about the size of the Central Office? Yes. Do Legislators talk about it? Yes. They are incredibly aware of the issue. Do I think they will respond with cuts to the Central Office? No. I think they will continue to just charge us back for things. On the other hand, in their defense, they don't get any percent tuition increase. When we are able to increase our budget by 2% or 3% because we have a tuition increase, the Central Office doesn't get that. They get the inflation of the salary increases, but with the flat budget they have been given by the Legislature they have no way to grow their budget. Do I think we are going to see significant reduction in Central Office positions? No. Are they aware of it, absolutely they are aware of the issue. If we don't entertain "enterprise thinking" that is a piece of the institution and Presidents' evaluation and it is important to the Chair of the Board of Trustees. I appreciate where you are coming from. It is an issue that is well known, it is not an issue that we can go hammer on without fear of being told they are tired of hearing it.

I appreciate the good discussions throughout the year. Hopefully we will see you this summer at an update. The meeting was adjourned.