BUDGET SUBMEET & CONFER
Tuesday, October 16, 2018
1:30-3:00 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, Scott Page, Miriam Porter, Claudia Pragman, Leah White, Bryan Schneider, Matthew Potocnik, Anne Ludvik, Deb Norman, Jill Krosch, Jane Kolars, Jane Lange, Mark Constantine, Mike Peters, Kevin Buisman, Robert Fleischman, Brenda Flannery, David Jones, Matthew Loayza, Brian Martensen, Jean Haar, Kristine Retherford, David Cowan, Steve Smith, Skye Dauer and Vickie Hanson

1) Changes/Additions to the Agenda

1a) Board of Trustees Finance Update (Rick Straka)

The Board of Trustee meeting is being held in Winona today and tomorrow. There had been an RFP this summer for athletic coverage for football and men's hockey and to partner for coverage of athletic training. The Board motion was there and we have been granted authority to finalize negotiations and execute an agreement up to five years, up to $1.8M. We will be moving forward with that. The Board motion did mention that we received two proposals, it did name who the two people are and that is public at this point in time under Minnesota law, but who the finalist is and what the details of the proposal are not public at this time. We will be sharing those when can.

I got to sit in on the preliminary presentation to the Board of their proposed legislative ask for this year. The Capital Committee and the Board of Trustees changed their organization a little bit this year. They have created a Facilities Committee separate from the Finance Committee. The staff person in charge of reporting to the Board is Brian Yolitz, Associate Vice Chancellor for Facilities. One of the things that he presented as part of a potential ask, is if there is potential of an off-year bonding cycle, the System will be moving forward with an all HEAPR request looking at trying to fill the portion of last years $100M plus HEAPR request that wasn't funded. Shared some data on the increasing deferred maintenance at the institutions. The System's primary ask has been HEAPR, we have been receiving right around 50% or under of what our ask has been there while we are receiving 80% to 90% of our ask for major projects. The legislature seems to like major projects better than HEAPR, probably not a lot of ribbon cuttings for a new boiler or new air conditioning or roof. The big piece I learned more about today, we will be asking for 3% in overall spending budgets from the legislature. 3% increase with the statement saying, if we receive a 3% increase in our compensation and non-salary that we would hold our tuition steady. That we would have a tuition freeze. That is one ask. There is a $37M ask to base, $18.5M a year to fully fund ISRS Next Generation, which means that as they laid out $151M, the $8M that we are being asked as institutions in the System reserve to cover part of that as we move forward, they are asking that the State pick up the tally and the campuses and Central Office reserve not have to pay for ISRS Next Gen.

Two major scholarship programs, a two year promise and a four year promise scholarships, targeted at trying to be last dollar in scholarships to help low income people at least get to tuition and fees, support and pay for tuition and fees. Meaning, Pell grants, state grants and this would be to try to fill the gap for low income people.

Also there is some talk about a proposal for free two year tuition and free, last dollar in and create free tuition and fees for two year students and what the cost of that would be. The Officer of Higher Ed estimated a cost of $150M a year, although the System Office in calculating things believes it would be more like $250M. One of the major assumption changes is the Office of Higher Ed did only degree seeking students as opposed to non-degree seeking students. There is a lot that is going to be asked of the Legislature this year. The Board is going with a pretty aggressive ask, that is exciting.

State revenue forecasts have been ahead of what the last February budget was. I would guess that we would be looking at something good. November is a preliminary forecast that sets the Governor's preliminary budget and we will find out the first Wednesday in November who the Governor will be and then we will also find out what the House and Senate makeup might be. That will determine a lot. As we get to February and that forecast which sets the Legislature's budget for the next two years, if there is a surplus the Legislature has three things they can do. Primarily, they can pass tax reductions and they can reduce revenue, they could do an increase and they could make changes to spending. The Legislature starts with the February forecast and they make changes to spending or revenue rates and laws and then they can add to the reserve and designate some things to the reserve if they want that is what they will do to settle the budget. Lots of things to happen between now and then, but a fairly aggressive request and good discussion today by the Board of Trustees about how to move forward.

Did any of you see the Peter Hutchinson, Star Tribune letter yesterday, he said some pretty interesting things. He did run as an independent candidate for Governor a few years ago and is again offering his viewpoint and suggestions on how higher ed in Minnesota might move forward. It is an interesting read.

Free tuition as discussed earlier would be for the two year college students.

Kolars-The bonding they were talking about the larger projects, is Armstrong in that? Straka-No, that is a year from now, we are just finishing the predesign for Armstrong which will go into capital scoring for the System to try to prioritize for 2020 session. What they are looking at is a 19 request of projects within HEAPR that were not funded or the funding level of HEAPR that wasn't funded from their 2018 ask. As of this time there was no suggestions there would be any major projects as part of the supplemental bonding bill. It would just be a catch up of HEAPR only request if there is an opening for off-cycle bonding bill. That is an interesting point that has come up in thinking about and interested in what people think about whether that is something we should consider as a System anyway. Maybe once a decade, no major project, but try to get the Legislature to commit to HEAPR and to just fix what we have. We are definitely falling behind in our deferred maintenance across the System. 29M square feet is what our System has which is 1/3 of the state property in the state of Minnesota (1/3 of the building space belongs to our System).

2) Update on Strategic Budget Planning Process (Rick Straka)

Those of you that made it to the combined Budget Planning and Assessment Meet & Confer where we looked at the process, we did take feedback from that day and there are some adjustments. The biggest feedback was this is really important, why are we rushing through it. We would like to take some more time to better analyze what is going on. I think what you will find in the Strategic Budget Planning document, regarding reviewing the process, was that we extended that out a little closer to the end of the year. The calendar is updated on the back on the handout. What we are looking for and we asked for that day is if people would be interested from Budget SubMeet & Confer serving on one of the three task forces. 1) That looks primarily at procedures the overall process of procedure 2) a group that would look primarily at the academic rubrics and metrics and how that process worked and 3) a group for the non-academic side. Let Vickie know if you are interested on serving on one of the sub-committee groups. Baures-Budget has one person they would like to move forward for consideration for the academic program workgroup that would be Leah White. Lisa Baures volunteered for the non-academic program workgroup and David Cowan volunteered for Procedures.

2a) Common Bell (Rick Straka/Lynn Akey)

There is work this year that is going to start on common bell and coordinating scheduling and reviewing that. The history behind that is it really came to the forefront last year when we started the talk about Armstrong. It started out in the facilities realm of life and then we had the Pauline and Associates space study last year which identified some issues and again as we are working on the Armstrong predesign and that steering group, some issues about common bell. What we have found is that by giving a lot of freedom in this, I liken it to playing Tetras, sometimes it's a little hard for our students to fit all the shapes and classes together and what makes it even harder is instead of having uniform width and heights, we have them that change on the 15 minutes and we may by offering a class that hits this 15 minutes and you may offer a class that starts 15 early, we have taken 4 hours out of the students ability to fit other classes into their schedule. In student success, what might we do as we look forward? Are there things that we can do to try to get rid of some unintended barriers for our students where for very good reasons we have done some things, but maybe the unintended consequences is that we have made it more difficult for students to try to fit five separate classes into a schedule when we by the way we schedule are blocking off and taking bigger chunks of time. It's not about centralized scheduling it's really about a common bell. We will be talking about that process over the year and what we are looking at is one representative from Budget SM&C. We will be looking for a pretty wide group of people to come in and walk through this process. The actual timeline of Armstrong wouldn't require us to do this until 2023-2024, but looking at it more framed for student success, I think that is the way we want to do it, be as helpful as we can in allowing students to set up schedules that will allow them to stay on track and to graduate. A realistic timeline for this would be work that would be done this year, would not be able to be incorporated until the fall of 2020 because we are usually a full year ahead in setting our schedules and our offerings. A minimum of a semester ahead, but generally a year. This group would be working on this throughout this year to come back hopefully with some recommendations in May. We know that nothing can fully take effect until at a minimum the fall of 2020.

Constantine-You said it's not about centralizing the process, it's about common bell. Straka-Centralized is we are going to throw all the classes in and like when we had Resource 25, they would assign the classroom for every class, and it's going to be centralized. Common bell is more about setting an outline of the grid. If we are going to have three credit classes that meet twice a week, that would happen. An example, it might be Monday, Wednesday and from 10-11:30 and then 11:30-1:00 so they fit nicely in and in that three hour window you are going to be able to fit two classes in. It's a way to set up a grid of allowable times. Other things that could be discussed, would we go to a quiet time in the afternoon or sometime during the week that would be set aside and be more common for faculty, staff meetings, for student activities or extracurricular. There is a number of things that we can look at. Sodexo asked us if we schedule and hour when nobody takes a lunch, I said I did not think we were going to entertain that approach. There are a number of issues that go in there about what can happen. It's about setting the grid and expectation of how things might fit in the grid as opposed to centralized scheduling. We are not suggesting at this point in time that there isn't going to be some college or some level of control of classrooms they prefer to be in.

We don't have an expectation of what this outcome is going to look like. What we are doing is taking the year to have the discussions of what we would hope is a focus on student success and trying to minimize the barriers that we have created for our students.

Flannery-In our college we are quite positive about it and looking forward to it. It is not as much about the space as it is about the clock. It's about the start and ending of courses. We actually found that employers of all the companies we work with, and we hadn't really thought about this it was our Internship and External Partnerships Director that brought this up. That he actually finds it difficult to schedule meetings and different activities with some of our industry partners because things are scheduled so differently across campus. I think there is even other success opportunities that we may not have thought about that are associated with common bell. It's just knowing when everything starts and stops, rather than everything being so different in the way of being associated with the clock.

3) Reimagining Minnesota State (Rick Straka)

The July memo written by Chair Vekich to the Board of Trustees outlined why he believes looking forward is how we are going to be sustainable. His original title was "Thriving in an Era of Disruption: A Case for Change". I think we are more concentrating on the first subtitle "Reimagining Minnesota State". Part of what his original discussion was how can we move from a system that is based on some of our policies and we seem to be very risk adverse and not very innovative or nimble, how could we as a System and Board of Trustees help create a system that would allow more innovation and allow more nimbleness in reacting to how we might go forward? I don't think it's a shock to many of us that higher ed is viewed as moving at a snail's pace often times in how long it takes to implement change. It's not all bad, we do a whole lot more due process sometimes. We talked about it quite a bit and it was the focus of the leadership retreat at Gustavus. I was just copied, thank you IFO leadership, I'm actually getting materials from your leadership but not from our leadership in St. Paul on some of the updates to this.

Our administration has not heard a lot about the forum process that the Chair had laid out as part of his original concept. He had put forward Phase 1 and Phase 2 of what he was looking to do and go out and look at industry. Phase 1 was formed on reimagining higher ed which he had a timeline of September-April, I believe he has come out with a revised timeline with an October memo. There has been some System wide response to that now. Thoughts of where this is going? As an administration since the leadership retreat in August, we haven't received much for updates or had much discussion. Putting out for feedback, what have other bargaining leaders heard? Baures-IFO's concern is it seems like a repeat of the last initiative and not a lot of opportunity for input into the process. Straka-Speaking on behalf of some of the CFOs, we haven't heard any more about whether we have any input on the front end of this process either. It seems to be at the Chair or Board level with industry and they will perhaps bring it back for comment. Leah White-My general perception that I find a little scary is I feel like it is saying here is how we can run higher ed as a business and that seems problematic to me. Non-profits as economic enterprises seems like there is a distinction between those for a reason. There were alarm bells that went off in my head. There is a reason we are slow it's because we are not a business. Kolars-Does anyone know how much students have been involved in looking at this and what they want and they are seeing? Straka-They weren't involved in creating this. This was a memo that came from the Chair of the Board. I don't think we have seen involvement outside of the Board level. The Board is looking to industry on ideas on how to support innovation. I don't believe students have been on the forefront of this. Baures-This is a lot of concern among the faculty I talked to about trying to fit a square peg into a round hole. Higher ed is a non-profit organization. Straka-The update came from Chair Michael Vekich and Chancellor Devinder Malhotra dated yesterday to the Board of Trustees, the leadership council and the bargaining unit heads and leaders of the student organizations. It said they appreciate thoughtful discussions that have occurred over the last few months and feedback and suggestions for improvement have informed ongoing development. The first forum will be held December 10.

4) Budget Update (Rick Straka)

We've gone over several times what happened with how we got money during the biennium last year and then we were looking at ending this year with a structural deficit of last year. We are looking at a $2M deficit and enrollment and revenue shortfall of $1M last year. Looking right now, we are 133 FYE down for fall which is about $1M. There are a couple of real wildcards on the table for us this year. One is when the relationships soured between Canada and Saudi Arabia, there is the possibility of a significant increase in Saudi transfer students from Canada. I've heard we have been in contact with about 80. What I would say about Saudi students is that is more than a two for one money deal. They pay the full non-resident rate. The Saudi government would prefer that they concentrate on their studies and they do not participate in the cultural scholarship program. There is a significant monetary difference if they come in, which could realistically balance our budget again from this year's shortfall after fall. 80 new students is the equivalent of 160 worth of money. It won't wipe out the one-time deficit we have for fall semester in shortage. We will also be trying to bring forward what we are going to look at as we move forward. Where we are in our cash position, we knew we were going to have an increase in cash last year, but we ended the year with almost $4M in salary savings last year. We had a bump in our cash position a little more than I thought we would. I think it is time we build back into our operating budget estimated salary savings and that will help soften our blow as we look at the structural budget. We have been fairly consistent with having more salary savings than we had in prior years. We had a preliminary last year CFI at 1.95. We went from 1.6 to 1.9, and we knew that was going to happen last year just because of the way we got cash in and the biennium and we frontloaded all the cash and revenue in the first year, but we only brought in about 1/3 of our salary increases in the first year. This year we know what is going to switch because we are bringing on the second year of compensation increases while we actually are slightly declining in our revenue. We knew there was going to be a cash flow change of about $5M between the first year of the biennium and the second. We did end the year a little bit better than we thought. We had some anticipated salary savings.

Either late this semester or early next semester we will come forward with some proposals about what we do for fiscal year 20 and what level of structural deficit we might have to deal with. We will also have to talk about some of the investments we will make. Some things we haven't calculated into that amount of money that we did out of one-time money, we did move forward the advising director out of one-time money. We will have to make that an annual piece so that will be an investment. Another, we did increase our grad assists stipends and we are going to have to build that into base. We took that out of one-time money last year and if we are going to continue to do it at $10,000 instead of $9,000 we are going to have to incorporate that into base as a reallocation. I would guess that we would see additional proposals for advising and other things. The Cabinet hasn't met to talk about what all the possible investments might be as we move forward and look at all the various areas of the strategic budget planning process. Those are some that you should be aware of that even if we just continue on a couple of things that we funded out of one-time money, that's close to $400,000 just in those two items (GA Stipends and the Director of Advising salary).

Porter-As far as the salary savings, is that due to contract settlements or positions not being filled? Straka-It is more about positions not being filled and transition. Some of it has to do with we have a line to fill with a probationary budget level and we have a failed search. So we may have hired either a fixed term or adjunct and there is salary savings there. There is significant salary savings just in the Advancement area online last year in the turnover and some significant savings in IT as we try to figure out the structure of ITS 2, 3 and 4. It was not because we settled at less money, it has more to do with attrition and truly positions were vacant or truly we filled in at a lower level than the budget for that position either in a temporary basis, fixed term basis or adjunct basis. Porter-It would be interesting to know that because that would indicate how much you can count on. Salary savings from not filling positions to me isn't a good thing. If it's salary savings because filling at a different level that is a another issue all together. Straka-Steve Barrett has some really good information about how long it is taking for searches, the average time and amount of vacancies that are available, that will tell you when someone leaves either retires or someone leaves their position, it is rare that we are filling in the day they leave someone behind them.

The other piece to look at as we continue to deep dive on the 30 day numbers is whether we treat last year's dip in new entering first year students as an anomaly as we came back with our fourth highest class of freshmen students this year. Whether we think that the drop in retention from second to third year is something that is an anomaly and a one year thing or is it more of a permanent change. As we look at the details a little we had to put in a projection of where we thought we would end this year and we are projecting 13,150. Remember just a few years ago we were at 14,400. We have seen about a 1,300 student decline in our FYE over the last seven years. We are declining less than our colleagues, but that still doesn't help. St. Cloud is still in a spiral, they are down 280 FYE just for fall. I'm projecting they will lose another 500 FYE in this fiscal year. They may drop close to 11,000, they are down 4,000 students in seven years, that is the equivalent of almost $28M of tuition out of their annual budget from where they were seven years ago. We

have the fourth highest new entering freshmen class and are up a little bit in our graduate enrollments. There is a new graduate enrollment management plan being rolled out and some other work we are doing with enrollment management. VP Jones-We like students, if you know someone, invite them to campus. We were recognized in this weekend's edition of USA Today. They did an article listing in order the top 100 higher education institutions in our country who have shown growth in applications over the past five years. We were the only institution in Minnesota and are ranked 26 out of the top 100 in the country.
https://www.usatoday.com/story/money/2018/10/13/college-applications-universities-rise-popular/38064683/

It is a nice place to be and really reinforces a lot of our investments, our brand awareness within our state and within our border states that we continue to be a place that prospective students are checking out and are interested in. Thank Brian Jones if you see him.

5) **New Tuition Policy (Steve Smith)**
For members that were on the committee last year, you may recall discussions we had about the System Office forming a couple of different teams to look at the existing Board policy on tuition and fees. VP Jones served on the Tuition and Fee Advisory Committee and I served on a drafting team that crafted the language changes and threw some ideas out for consideration by the Advisory Committee. The recommendations of the proposed changes went to the Board of Trustees in May and then again last June. At their June Board meeting the Board of Trustees did approve changes to Board Policy 5.11 Tuition and Fees and the related procedure that goes along with that.

To highlight some of the changes that are important to be aware of is that the new policy articulates some policy objectives. What are we trying to accomplish with our tuition policy. It clarifies the various types of tuition that we have. It provides some additional flexibility to institutions in terms of the ability to charge a different tuition rate just for non-resident alien or international students, a rate that would be different than the regular non-resident resident tuition rate that we have now. There was also the ability for flexibility in terms of having tuition rates be market based for fully online programs or graduate programs. They iterated the Chancellor's authority to set planning perimeters around what institutions should be thinking of in terms of maximum changes which ultimately everything still needs to be approved by the Board. They also created the possibility if an institution wanted to have a guaranteed tuition rate for undergraduate programs. On the fee side, they clarified differences between mandatory and optional fees. It's now required fees or campus discretionary fees. In terms of the fee maximums that we are allowed to charge students, they have provided a regular review, every two years, where they will look at the caps of the maximums on the fees that are in place and see whether there needs to be any proposals for raising or changing those fee maximums. There was also a little bit of controversy over the new student orientation fee. The two year schools were against it, but the four years are a bit more understanding. The Board reserved some of their final approval about the new student orientation fee. They are supposed to be getting a fee study at their October Board meetings going on right now. They wanted some more information before they really set a final decision on that piece of the new policy. These changes are important for us to consider and understand as a campus community because we need to think about do we want to do some different things with our tuition rates? Do you want to charge a different rate for international students than we do for non-resident students? Do we want to change our cultural contribution policy and procedure? Do we want to have a different approach to what our graduate tuition rates are? We are talking about piloting some new fully online programs and we will have more ability to determine what we think the right market tuition rate should be for those programs. We have a lot more flexibility that is at our disposal. If we think about it, it could be part of our solution where some of our budget challenge, depending on what we want to do, taking advantages of some of the flexibility of the new policy.

Straka-Fully online programs does offer us some flexibility there. We should be aware there are fees. Will we be charging some of the on campus fees to fully online programs that was a piece of discussion that came through a year ago when we had discussion about creating these programs? I had to leave the Board meeting today before the final discussion, but the pilot program, what has come out of the Twin Cities Baccalaureate program is the idea that as we move forward the students at a two year college that are taking the university program, will pay university tuition, but they will pay the fees at the campus that is hosting them. They will pay the parking fee to the host campus. They will pay part of their activity fee for involvement in things that are on that campus. We are going to have to talk about what impact is that going to have on our fee generation? The last time Steve and I did this a couple of years ago, it was 1.6% we would have to increase fees just to replace the revenue that we would lose from not charging those extended students our on-campus fees. We will have to have discussion what impact, where we currently charge student activity fees, what are we going to do when we lose that source of revenue? The statute now says that we can only raise our student activities fees 2% without going for student athletic and student activity fee, if we propose raising them by more than 2% that has to be supported by a student referendum. The student referendum has to be in favor of raising the fees above 2%. That is a big change in how we operate as a System.

Baures-How are they determining which is the host campus? Straka-I'm talking about Twin Cities Baccalaureate. That would be our classes at Normandale. Communications Studies, the two education programs that are up there, Integrated Engineering program if they are on the Normandale campus they will pay Normandale fees. The host institution is expected to provide certain services as well and to provide that tech support to the student and even perhaps to our faculty and staff we are hosted at that site. That is a little bit different than the fully online, this would be the face to face host institutions. White-Connected to the online classes and trying to move students away from online work here on campus, I know in comp studies sometimes to meet the needs of the folks of that campus up there, we will have online classes that they can enroll in, but in order to meet needs of our own site students, they get in those too. Do you know how that would work? Would we have to have the online ones be only for the folks up there? Straka-That is an interesting question. The same thing is happening where we may have classes that are duplicated for a fully online program, but we are also offering a similar class to our on-campus students. Do we have to co-list those courses so that we can segregate the students that are on our campus from distance students or from Normandale students, we are going to have to work through how we deal with that in the future?

Martensen-I'm assuming lab fees didn't come up? Smith-Personal property and service fees the biggest change there was how the student orientation fee was being handled. They proposed a new separate fee called new student orientation fee. Course fees are not allowed with personal property but service fees tied to a course are allowed. Martensen-Some universities allow software fees as course fees. Others like Moorhead view it as differential tuition. Straka-Software I would be comfortable running through a personal property fee. Differential tuition seems more appropriate, that it is a cost that is outside the institution. Service charges shall be for services for and behalf of the student and may include equipment, including purchases, special leases or rentals required. Other instructional services it says, additional instructional cost is not included in tuition, but paid by a student to a vendor or auxiliary service, i.e. theatre tickets, bowling rentals, greens fees, ski lift tickets, you can see it's truly a flow through service as opposed to something you might argue would be paid by tuition, like the technology or offering of software. I don't think software would have been appropriate as a personal property charge. Smith-These are things that are supposed to be personal property of the student and have personal value to them. Straka-Over the years what happens as soon as tuition gets tight we as institutions looks to try to shift things to fees as that is the natural human reaction. But there can be different tax treatment, different reimbursement and other issues the more we load in fees versus tuition can have an impact. For those of you who are using your employee waiver for a dependent, if its tuition, you get that paid for as part of your benefit. If it's fees, you are paying cash for the fees. There is a number of implications that can happen with third party reimbursements, especially employer reimbursements there are some significant differences if their implications to the student and whether you run that through fees or tuition. I've been part of this three different times where we have said, there are too many fees, we are going to make a one-time upcharge to tuition, roll all this stuff into tuition and try to streamline the fees and that has happened and the next time tuition gets tight, they tend to naturally expand again. Smith-In terms of software the only opening we have there is that they do allow personal property and service fees for electronic course materials like digital textbooks or subscriptions to other sites where students get login access. Straka-We are looking at one option with some open resource kind of things to make it cheaper to the student. Digital textbooks is something we are looking to pilot program. There are very specific federal financial aid definitions and situations in which you can or can't do that. Not just this policy applies, but the ability to put that through and charge it to a student right away like the books is also subject to the Department of Education federal financial aid language. Smith-For spring we are working with Barnes and Noble to offer the ability for digital textbooks where students when they register can get access to the textbooks through D2L and Barnes and Noble software will interact with D2L and give that access to students. They have worked that stuff out with the publisher. We are only looking at less than ten different courses where faculty have gone through a review and decided these were the pilots that we would bring in to try out for the first time this spring. The savings are significant to students. This will get charged as a personal property or service fee at the same time they register. Straka-It is not wide open for every class. There are very strict definitions and what cases it's allowed. It has to be below market rate, has to clearly be a savings to the student. We can't force them to a vendor if another vendor can provide it at similar prices. It is not meant as a way to avoid competition. We have the Maverick Bookstore across the street and we have to provide them by federal law all of our class lists and an opportunity to sell that. That is why there is very specific things as we have to be able to document that it is a global market rate and no one else is matching it and still give students an opt out. Some students for learning styles may choose to have a hard copy as opposed to electronic copy. It has potential to save students money.

Smith-Now with the flexibility that we have with tuition, we will need to have some campus discussions about these different areas and decide whether we want to pursue changes to what we are currently doing and take advantage of the flexibility where we think it makes sense.

Buisman-What kind of challenges does that pose to the Business Office? Smith-One example, our cultural contribution scholarship program that we now offer for non-resident alien students, when they register they get charged the full non-resident rate, which is double what the Minnesota rate is. But if they agree to participate in the cultural contribution program, attend so many different cultural events on campus, maintain a certain GPA, they can get a scholarship that brings that net cost of their tuition down to only 10% more than the Minnesota rate. But there is a lot of work involved in tracking all of this activity manually for all of these students and making sure they get charged the right rate and verifying that they attended the events and apply the scholarships. There is a significant amount of manual work with that. If we were to step back from that and say, what if we changed the tuition rate to be something above the Minnesota rate now, maybe not quite as high as the full non-resident rate and made some changes with the cultural contribution activity, maybe we could streamline a lot of administrative work around that program and still end up at least as good down the revenue side or perhaps a little better if we wanted to use some of the flexibility we now have in setting that rate. Straka-We also need to take into consideration that we have a couple of countries that are happy to pay the full amount res rate, that those students who don't complete their requirements are paying the full non-res rate. If we set a flat international student rate less than that, then we will have to factor in that we will lose that revenue as well. It's a little bit of a balancing act. An article just came out about the University of Minnesota and how much they have lost in non-resident students last year. They are reconsidering where they had planned another 15% increase to their non-resident rate, there are some in their Board of Regents that believe they have reached the price elasticity point with their non-resident rates. Once you lower the rate like we have lowered the rate, and we've tended to be moving towards lowering that rate, it is really difficult to go back up. We are not next door to a state like Texas that has a lot of students and Arizona and California that have increasing high school graduate populations. We are in a state that is stable but all the states around us have demographic declines of high school seniors. We have some flexibility with graduate tuition. We have to make sure our website has all of those as we have to report all of those in format to the Department of Defense MOU website and tell them what all of our rates are. Twyla Tinney does an amazing job trying to compile all of our different rates. Because the Department of Defense requires an unbelievable amount of transparency to ensure that any military person that wants to take an educational course is not surprised by any cost. The compliance just with DOD is significant.

6) Rumors /Other (Straka)

Seasonal dome-We are talking with students right now about one of the projects that was in our athletic master plan and our last comprehensive facility plan which was a seasonal bubble. We have been in consultation with the students, went through a whole task force last year with the students to lay out some of the projects that they would be looking for. That was a project. If they couldn't get that project they were hoping for at least to get turf on the infield and the track. They are also looking at expansion of Otto Arena. It's a little more interesting when looking at expanding a general obligation funded building. Especially when we have six years of Armstrong requests ahead of us, I don't know how we would fit that in. There is desire to do Maverick Adventure. What we are looking at is going through a predesign and design process of what one and a half fields of artificial turf and a seasonal dome would be. Looking at what it would be to split that cost with the students. I'm anticipating it would be somewhere around $10 a semester, which would be .83 a credit up to 12 credits. We are trying to finalize some proformas to present publicly. I'm hopeful that will be about 1/3 athletics, 1/3 HP, clubs, intermural, campus rec and 1/3 public use. That 1/3 public use should be able to create enough revenue to pay the annual operating expenses. Once we've made a capital investment, then we would be able to operate that out of the third party revenue. The Board has some revenue bond proceeds from the last bond sale that are available. They have a little over $2M, we could just take on the debt services of about 10 years remaining in that debt service.

It would be a facility that would be available year round, but covered for half of it. There are lots of building code reasons why it becomes cost prohibitive to do what is now in Minnesota what is considered a permanent dome. If you have it up for more than 180 days, it requires sprinkling and other building, safety codes which changes the cost significantly. Almost all of the facilities that are going up that are doomed are going the seasonal route in the state of Minnesota. We would anticipate that there may be a student referendum upcoming to discuss whether they would be interested in approving an addition to their outdoor rec fee.

The meeting was adjourned.