

BUDGET SUBMEET & CONFER

November 10, 2020

1:00-2:30 p.m.

Via Zoom

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), Gregg Marg, Sue Burum, Sarah Kruse, Charles Lewis, Claudia Pragman, Scott Page, Matt Clay, Bryan Schneider, Joseph Lehman, Anne Ludvik, Deb Norman, Jane Kolars, Kim Rademaker, Mark Constantine, Jean Clarke, Lynn Akey, Chris Brown, Aaron Budge, Matt Cecil, David Cowan, Brian Martensen, Kristine Retherford, Skye Dauer, Brenda Flannery, Sheri Sargent, Steve Smith, Matthew Loayza, David Jones, Laura Yin, Teri Wallace, Anna Dahlman, Jennifer Veltsos, Teri Wallace, Chris Veltsos, Andrew Trenne, Arnavee Maltare and Vickie Hanson

1) Changes/Additions to the Agenda

2) BESI Update

Straka-We did put forth a BESI program this fall, and we have the results. We had 12 positions who we've offered BESIs and whose positions won't be replaced. There were 9 IFO positions and 3 staff positions that won't be replaced. In addition, there were 10 people who were awarded partial BESIs in the general fund. Those were faculty members who we will be able to replace with a partial savings. Most of those are going from full professor to replacing with an assistant professor. Based on CUPA data and other things we can predict what those savings will be. There was also a staff position that is going to be replaced at a slightly lower level in the non-general fund area.

What we are looking at is a total of \$1.46M before fringe benefits and with fringe benefit savings that would be around \$1.99M. That is a substantial response to our BESI programs and is a really good first step and when we look at our budget challenge of \$5M-\$7M, that does get us almost 40% of the way to that lower level.

Until these payments are made and become public, these are confidential as to who the individuals are. But I can report at this aggregate level for you.

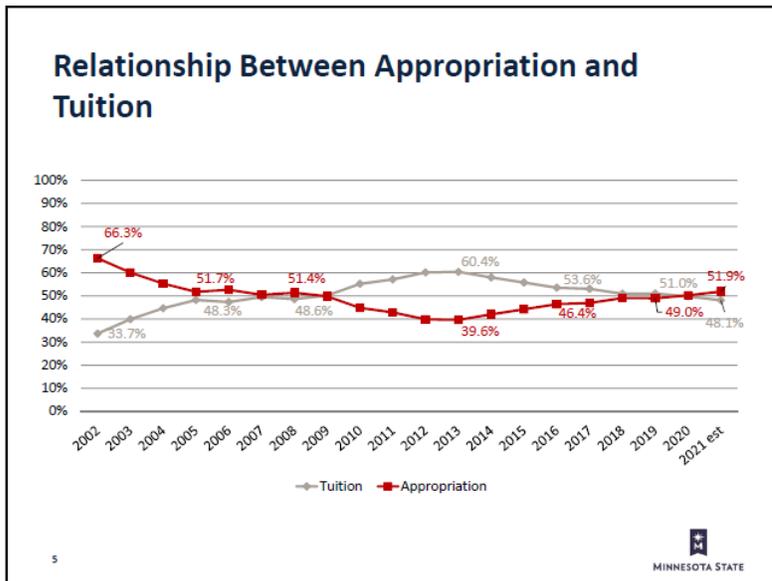
Constantine-Could you go over that partial BESI again? Straka-A partial would be, i.e., mythology is a department and we have a mythology full professor making \$110,000. But we know we can replace that position with an assistant professor making \$70,000. We can look and know that we have \$40,000 in savings when replacing that position, so we offered a BESI at a percent of that 40% savings or difference, not of the full base salary in those cases. The BESI was based on a percentage of just the estimated savings. By looking at CUPA data or past practices in those areas we have a pretty good idea what the market is for the assistant professor replacements.

3) BOT Biennial Request-1st Reading

Straka-In October the Board of Trustees had their first reading of their biennial budget request. Often times when they are going to take action on a major item, they have a first reading, then they will go back and depending on how discussions went at the first reading, there will be revisions and things talked about and then it will come back to November. That is what is going to happen at the second reading in November at the Board of Trustees. The 2022-2023 operating request is going to focus on continuing to meet Minnesota's talent needs by providing high quality affordable relevant programs, protecting our commitment to inclusive excellence and closing the educational and equity gaps across race and ethnicity.

Consultation has begun and will continue with Minnesota State stakeholders, the state bargaining units, both student associations, and the leadership council have been invited to provide advice. The operating request reflects focus on Minnesota State’s top strategic priorities, move support to the State of Minnesota towards its historical level of investment, acknowledgement of our structural general fund budgetary deficit and recognition of current and projected financial condition of the State of Minnesota.

Here is the historical data, if you go back to 2002, 66% of the System’s request was state appropriation and 33% was tuition. Then we go to early 2000 and it became very close to 50/50 through 2009 and then the great recession hit and we saw that we took a significant reduction in state appropriation and saw significant increase in the share of the state’s System budget that went to tuition. That has declined over the past six years. We’ve seen some increases in support, but some of this is offset by significant tuition freezes about half of those six years at the state universities and more than that at the two-year colleges. So, you are seeing more appropriation, but a good chunk of that appropriation just paid for tuition freezes. It’s not like we got a significant increase in state appropriation and then they paid for the tuition freeze on top of that. If we were expecting 3% increase in our overall budget and we are 67% tuition, if they freeze tuition and we want to have a 3% increase in overall spending, it would take a 9% increase in tuition to offset the two-thirds of the revenue stream that was held flat. That didn’t happen. We may have gotten 5% increases in appropriation in those years, but we didn’t get enough to cover inflation plus the full cost of the tuition. We are still quite a bit different from 51/48, that is a System number and you are going to see that smaller outstate schools, the technical colleges, those institutions that include technical programming are going to be funded at a higher percentage of appropriation. The larger community colleges and larger universities will be funded at a larger percentage of tuition.



\$120M is what they are looking at for a request. But the System also knows that they are making that request at a time when the state is looking at a potential \$4.7B state deficit which is about 9% of the state budget. We must keep in the back of our minds that the financial environment in the state is what they are looking for this. \$75M for campus responsiveness and stabilization. That is our operating increases. \$45M for equity and affordability. As we look at that campus responsiveness and stabilization is really for funding of inflationary costs and increased campus expenses due to the pandemic.

\$120 million in new funding over the biennium

- \$75 million for **campus responsiveness and stabilization** to support increases in campus expenses due to the pandemic and inflationary costs over the biennium
- \$45 million for **equity and affordability** to directly support our students' critical needs:
 - Student Basic Needs
 - Mental Health Needs
 - Additional Campus Support Services
 - Career and Technical Education
 - Open Educational Resources
 - New Scholarship programs

6



Campus Responsiveness and Stabilization \$75M

- Supporting Minnesota State is critical for the state of Minnesota's economic recovery
- Campuses require on-going revenue in order to maintain a core level of programs and services
- Funding of inflationary costs and increased campus expenses due to the pandemic

7



There are two parts to the equity and affordability, and they will be talking this month about narrowing down those bookends. Expansion of support for student basic needs including mental health. Additional campus student support services, career and technical education support and open resources. Probably \$20M-\$25M will come from those needs.

Equity and Affordability \$45M

- Expansion of support for student basic needs including mental health needs
 - \$5M-\$10M of the \$45M
- Additional campus student support services
 - \$5M-\$10M of the \$45M
- Career and Technical Education support
 - \$5M-\$10M of the \$45M
- Open educational resources
 - \$1M-\$2M of the \$45M

8



The second half of the equity and affordability looks at scholarship programs to support the Minnesota College Promise Program for new and continuing college students. Also, to encourage students to transfer from our colleges to our universities with Minnesota State University Transfer Scholarships. They are looking at between \$20M-\$25M when you add those two scholarship programs up. This section and the section before would make up \$45M.

Equity and Affordability \$45M

- Scholarship program to support students with the greatest financial need – MN College Promise Program for new and continuing college students
- Scholarship program to encourage students to transfer from our colleges to our universities – MN State University Transfer Scholarship
- \$20M-\$25M of the \$45M for both programs

MINNESOTA STATE

The campus responsiveness and stabilization, they are asking that the state would contribute that in the traditional one-third/two-third biennial math model which would give us a base of \$50M moving forward. Whereas equity and affordability are spread evenly that we get the bulk of it in year one and a little bit of an increase in the second year.

FY2022-FY2023 legislative operating budget request summary

\$s in millions

	FY2022	FY2023	FY2022-23
Campus responsiveness and stabilization	\$25	\$50	\$75
Equity and Affordability	\$21	\$24	\$45
Total Request	\$46	\$74	\$120

FY2023 appropriation continues as base funding into the future

MINNESOTA STATE

Schneider-Open education resources are a major way to reduce education expenses for students. Straka-Absolutely that is something that remains an important item. The Board of Trustees is aware of this as well as the student organizations and the faculty organizations.

4) Budget Open Forums

Straka-We have budget open forums scheduled for tomorrow morning at 9 a.m. and Thursday at 3 p.m. I hope that people will come with questions about how we will move forward. It really is just a review of the budget problem that we have in this current biennium of \$3M and that structural deficit. Then we will talk about what our impact might be in the next biennium, \$2M-\$4M and explaining how we got there. We will also talk about some of the techniques we used in the past and what values moving forward. I've

already received some questions and feedback on the budget website. We've had both students and staff ask some questions and share their perspective on values that they hope leadership will look at when trying to balance our budget.

Baures-Were you going to try to send out some of your power point slides ahead of time so people could take a look at some of the data presented, so if they had any questions about the data they would be able to ask at that time? Straka-If I can get them completed before I would be happy to send them out, but our materials are not complete. It's been a wild week here already with the increasing cases of COVID across the state and reacting to several questions and concerns.

5) **Strategic Budget Planning Metrics**

https://mankato.mnsu.edu/about-the-university/student-success-analytics-and-integrated-planning/integrated-planning/strategic-budget-planning#mce_temp_url#

Straka-The above link will take you to the Strategic Budget Planning webpage. Within that page is the Strategic Budget Planning academic award criteria, narrative prompts and an evaluation blue bricks moving forward. I wanted to share for everybody where those were at as well as the non-budget planning. Look at the non-academic award criteria, I still must take the draft off the top of this. You can see what we have put together and put forward, the data to be provided by finance, enrollment trends, staffing trends, IPEDs data. The System took away our access to look at other institutions in the System. Some of the data that we used to be able to pull for our sister institutions we now only can pull our own data. You can look at the criteria, support of the university mission, goals or mandates. We have the internal/external demand, quality and operational effectiveness and financial volatility and opportunity threat environment, scan analysis.

Clearly as we move forward on the Strategic Budget Planning process and the criteria, we certainly will use that to help inform our decisions moving forward. If you remember the definitions, programs were labeled as candidates for investment, candidates for maintenance and candidates for reduction. It wasn't for sure it was going to happen; it was a good place to start the discussion.

Baures-As we are looking at the different criteria and the evaluation rubrics, people can look at how the specific criteria are going to be evaluated. Is there any way to identify what data would be available from Institutional Research to address those specific pieces of data? If they said, for Criterion 1, we can provide this kind of data from Institutional Research? Straka-Lynn may have some of that. But what I remember it is a lot easier to do that for the academic programs because they are much more comparable. They have comparable data sets to look at. When it comes to compare my area, financial aid, building services, there is less information that is standard pieces of information. The page was looking at the three-standard kind of items in non-academic areas where, what are your staffing levels, compared to enrollment and your other budget levels. What we could look at is at an IPEDs level, if that division is part of institutional support, what have been the changes to institutional support over the last few years. Is that percentage of the budget gone up, or gone down? What are the trends of that department in response to that? It would be much more tailored information.

Akey-That is a great question and any unit can contact Institutional Research and we are happy to have a conversation. Whether its data or information we might be able to provide here or something that might be available at the state level or nationally or just help brainstorm and think about what are different possible sources of data and information that a department might want to use and apply. The other thing around Strategic Budget Planning is that the Planning SubMeet has also been talking about professional development sessions to offer the campus community. We have tentatively marked dates during the spring term to provide professional development sessions on the Strategic Budget Planning Process in its entirety as well as sessions to focus on each of the academic areas by criteria, as well as a session for non-academic strategic budget planning. We will be starting to publicize those dates as we get closer to the end of fall and at the beginning of spring semester. We do have dates set up for that throughout the spring

term. That is one of the Planning SubMeet focuses to provide those development opportunities as we go forward in preparation for our next cycle of updating all the data and information that is scheduled to occur next year.

Straka-As a reminder if you go back to that Strategic Budget website, you will see the results from the first time we went through that process and see how each program scored and which category they were placed in. It will require a star ID and password to access that level. Akey-Jerry Oman would be happy to talk with units about that data if there is questions, one on one is the easiest way. As well as the criteria and indicators were revised based on the recommendations coming forward from our task group a year and half ago. We've been working to incorporate all those measures into our annual academic data summaries that we publish. Even if a unit looks at what happened the last time, they also should be able to look at comparable information, most recent activity in the last year within their academic data summary and again happy to connect with Jerry Oman to walk through and work with any of the departments on that.

Straka-For the academic programs, this is a wealth of data that I'm not sure how many people in our institution really know is readily available and out on the Student Success website and Jerry and Lynn's other staff do incredible work putting it together. Assessment Meet & Confer, three years ago we redid what was going to be included in the academic summary. There was a major review of what had been in the academic summaries and what would be included moving forward and it was major revamping and reformatting. As you look, there is institutional data, department funded credit hours, FYE students, student credit hours adjusted, expended full time equivalent faculty, adjusted credit hours per faculty, student faculty ratios, off-campus and online summaries credit hours. There is a wealth of information and trends available within those reports. You can look at that at the institutional level, college level and the department and program levels. That is another piece of information we will be using when we look at where we may need to make adjustments in our budget.

Baures-I know there was some talk about trying to put together a template to guide people through the process and I was wondering if there was something like that available? The last time we did this I think we were going to try to identify some examples for people to refer to, so I was wondering if that was also going to be available and posted somewhere on the site? I'm referring to the Strategic Budget Planning process and the documents that people submitted for both academic and non-academic. If there were going to be some templates that were going to be used or as suggested guides for how you might want to address some of the criteria. I'm pretty sure we talked about providing examples for people to look at too. At that time, we didn't have any examples, but I think this time around we will have the previous Strategic Budget Planning process examples. I was wondering if those were going to be made available? Akey-Many or all of those are possibilities. If that is direction from Planning SubMeet and Budget SubMeet and Assessment Evaluation SubMeet this has always been a joint project across those three subs meets to advance this work. Certainly, we have the kind of format to follow and the structure that we've continued to advance through that last iteration and the groups that worked on it a year and a half ago to make recommendations for improvement. I think as we go into the process next year, I would certainly see that we could approach some departments to ask if they would be willing to have their submissions from last time available to others. Like one of the things that we saw that was really successful that people enjoyed was the hands on support sessions, workshops where you bring your document and questions as you are working through it and be able to have a resource of folks to bounce things off of or to talk it through is helpful and also where you were talking about some sort of a guidance document. Here is the sort of things that worked well or didn't work well that would be recommended for consideration as we move through the process again. All those things are possible as we go into the fall semester.

Straka-As we are looking at how we are going to solve this budget deficit that we have, what types of information are we going to look at, maybe it's good for us to go back and look at the document and look at the timelines that our current cycle ended in when we went through the cycle in 2017-18. Year two review the evaluation process and we did that including the evaluation and criteria and that was 2018-19.

In 2019-2021 is to utilize evaluation results to make decisions in alignment with university stream directions. Host workshops and open forums to prepare for future Strategic Budget Planning. Lynn let's talk about whether that is this spring or next fall with everything that is going on, maybe that process really heats up next fall in FY22. Akey-Yes, I think what Planning SubMeet has planned is to do a series of professional development sessions in the spring to help people come up to speed. We know there are folks who would like to dig in now and get going and start thinking about what it is they might do or what the data might suggest in their most upcoming update and what the criteria and indicators are. So, we will do that throughout the spring term, but yes, as you see on the next cycle timeline, we are really scheduled to kick off that update process in the fall of 2021. Lisa, as you were just suggesting there all kinds of things, we can do at that time to really make sure we are providing support as we move through that process.

Cecil-I want to remind everybody that the prior results from Strategic Budget Planning are absolutely the foundation of the work that we are trying to do right now to figure out how we are going to close the remainder of our budget gap. I don't want people to confuse the process that we are working through right now with the updating of the Strategic Budget Planning that is going to start in the fall. I want to make that distinction of how this data is very useful and certainly we are using that prior process as the basis as we move through this round. I want to make sure people understand the two different processes that we are talking about.

Straka-When we look at these three metrics, what are the things that we are doing in the current system as we are looking at closing this deficit. What are some of the areas that we are looking at, these are all things that we are looking at. The Strategic Planning is just a piece of what we are looking at and helps inform us. The Academic Data Summaries help us and other metrics moving forward. One of the difficulties of Strategic Budget Planning and our accounting system is our accounting data is all based at the department level, but a lot of our Strategic Budget Planning was really dealing with program level kinds of decisions. What Academic Affairs has really been working with Lynn's area moving forward is trying to actually take some of our enrollment data from the registration system and looking at FWM, the Faculty Workload Management, being able to breakout where the costs are within a department and put that out to a program and make some financial viability calculations at the program level whereas in Strategic Budget they all rolled up to the department level. Many of you know there can be very different results within a department of different programs. That is another piece I believe we are looking at in the academic areas to help shape some of the decisions we are going to have to make moving forward.

Cecil-I think we are trying to get a better understanding of costs and income as it comes in. It is complicated stuff to understand the universities' overhead and try to link up students and credit hours that generate faculty costs. All those costs and try to come out with some kind of understanding, not from a business sense that we want to know who is making money and who is not, but understanding what is efficient and what is not and recognizing that things cost different amounts. That is an important factor here. The other thing I would add is none of this is determinate. In other words, we are looking at these things to help guide as us as we think through these processes. There is no computer program that you plug everything in and it spits out what is going to happen. We are thinking about all those intangible factors. I always use something like the marching band is a great intangible. It's this thing that costs us money to do, but it is also a student success community that comes out of the music department. There is value there and we want to account for that kind of value whether it's a cocurricular activity or other kinds of impact. We are trying to think of a lot of different things, starting with data, but moving beyond that. We started today; we had our first listening session. Brian Martensen and I met with ten department chairs today and we are going to meet with all the department chairs over the next couple of weeks. We decided after the meeting today, that one meeting with those groups wasn't enough. We probably need to bring them back and have further conversations and then we will move on to the faculty at-large. The idea is I know that people want to sit with the decision makers and talk about what is important about their programs and what they do, and we want to give them every opportunity to do that as we think this

through. We have a lot of data that can help us, but data is informing these conversations, it's not driving any decisions. We are trying to be as inclusive and thoughtful and make sure we hear everyone and hear their concerns before we move anything forward.

Straka-As we look at Strategic Budget summaries, the other metrics, the other thing that I would say right now is we also have to take into consideration, not just what has happened. We need to take into consideration, what is going to happen. Getting input and understanding the input of where are our opportunities, looking at the marketplace, looking at the environment, what are some of the strategic opportunities that we have? We may have some programs that we don't currently offer, but that is where our opportunity is. It's hard to get lagging data on those kinds of things. It's trying to mix all of these things instead of just looking at one ingredient in the recipe, we have to try to take something from all of these measures. Strategic Budget Planning, data summaries, the other data we are looking at, forward looking data and saying where do we want to go and it's all of those things that are going to go into decision-making and the decisions that we have moving forward. Any other questions as we move forward these next couple of months before we bring forward the recommendations to the university about how we balance the budget? I appreciate all the work that has gone in so far, it's been an incredible amount of work, there has been lots of good input already. We have the Budget website for people to share their values, what they view as either a high priority to make sure we don't cut, or people have pointed out high priorities where we might look. We take all of that input seriously as we move forward. We will get through these next 2-3 months together and we'll come out with some recommendations of how we can balance our budget and set ourselves up for the next 5-7-year period and hopefully we will be successful as we were in the last 5-7 year period. I have every confidence that we will be.

Academic Data Summaries

<https://mankato.mnsu.edu/about-the-university/student-success-analytics-and-integrated-planning/institutional-analytics-and-strategic-effectiveness/institutional-data-and-information/annual-data-summaries/>

Discussed above.

a) Other Metrics Moving Forward

Discussed above.

6) Financial Sustainability Discussions

Straka-Lisa, I know that you, I and Steve talked about how we might frame this discussion, but do you remember anything specifically you wanted me to address as we were talking about this? Baures-I think it might be helpful to identify what percentage of monies is coming from what budgets to support different types of endeavors at the university. When we are looking at the general fund, what percentage of the general fund do we need to be financially sustainable, that is going to have to come from X? Straka-Clearly as we are looking at the general fund, the primary issue of financial sustainability there is two pieces. We have tuition and appropriation. We are approximately depending on whether you include chargebacks at the end of the year, general rule, we are about 2/3 tuition to 70% tuition and about 30-33% state appropriation. We are dependent on our enrollment because tuition is made up of two pieces. It is made up of our tuition rates and how many students are paying tuition. The rate I think we are going to continue to see great resistance to anything other than inflationary type rates increases in tuition. I think the days like in the early 2000s when we had back to back 13-15% tuition increases, I don't think that is feasible moving forward. I think there will be a push for tuition freeze, to 1-2%, maybe 3% each year. I don't see a lot of appetite in society in general, within our Board of Trustees, within the Legislature, for anything other than inflationary type increases in tuition. In appropriation, we will have to see how quickly our economy will recover from this pandemic. We are looking at a legislation session this year where the state is going to be looking at about a 9% reduction in the state overall budget in appropriations. Yet in that same environment, we are asking for \$120M new dollars as a System. I think it's not much different than those of you who may remember the Laura King

financial sustainability report. We have great pressure on our state appropriation increases, and tuition increases, and we are going to have some pressure on our expense inflationary increases.

I will point out, thank you to the IFO leadership statewide who have stepped forward and talked about a proposal in which they would limit the inflation in the first year of the contract. That is incredibly important as we move forward. I don't want to talk too much about that because negotiations should be in collective bargaining and shouldn't be directly here. I will back away from that more than just recognizing that the offer has been made.

That is really the difficulty as I see us moving forward and we are also seeing some concerns about what are participation rates in higher ed? We are very fortunate in having 2-3% increase in our enrollments this year. If you look at our sister institutions that was 5-7% decrease was more the norm in our university system. We all know, and we have been talking about cases where our students are having a hard time in this pandemic and so are the faculty and employees. This is a difficult time for all of us. There is some unease about what will our registration numbers look for spring when we get to the end of the next three weeks because there are possibly some signals and we don't know how strong those signals are that some of our students are not comfortable or getting what they thought they might get as an education. That is a nation-wide dilemma. That is something that is a result of the pandemic. That is not because of local issues that individuals or anyone is doing here. Hopefully, the vaccine and other things, I'm hopeful we are coming out on the other end of this and I'm starting to feel like there is a little more light at the end of the tunnel and the tunnel may not be as long as it seemed a couple of months ago. Our concentration now is to take care of our students the best we can. To help with that retention and do the things we've done to get the incredible results we had last year in uptick of retention and the uptick in closing the achievement gap are all incredible things and those things will be important as we move forward financially because I don't think we are going to have a lot of control over appropriation and I think we have very little control over the upside of how much of the tuition rate we are going to be able to change. Not all of our inflation expenses are we able to deal with locally, some of it is a system, but some of it is statewide. That really leaves for us where we can control the best we can, is the enrollment variable. That is the one variable that we would have the most control over for our financial sustainability moving forward. That is why President Davenport has had such a focus on retention and recruitment over the last 5-7 years and it's been successful.

It's that basic issue that we've had in our System over the last few biennium's. We have not had as much growth in our revenue as we have in some of our expenses. It is that very basic thing that has led to the structural budget deficit that we have had each of the last two bienniums. A little bit enrollment based, and a little bit based on the legislature has moved away from traditional 1/3. 2/3 funding of our revenues, their expenditures at the state, but our expenditures haven't moved as much away from that 1/3 / 2/3. We get that we might balance over a two-year period have spent the same amount of money, but we end up being imbalanced with our revenues being less than our expenditures as we move forward.

Baures-What is the status of the differential tuition? Straka-Online differential, it's been clear that the Legislature has some concerns with Minnesota State as a System and how we are charging that online differential. Should there be a difference? Our System has given a report to the state legislature in which we made our case for "yes" there are investment in moving education online and to do it well and do it with quality is not necessarily a cheap way to do education. There are legitimate investments we are making on online. This pandemic has shown how the gap, understanding or difference between a totally online environment and a totally online student in the past and a traditional student who may still get some of their instruction online, that maybe that is blurring a little bit moving forward. In my opinion, I think the System and the Board of Trustees is likely over a period, that differential tuition is going away. I think there will at least be discussions about whether that online differential should exist heading into the future. With other tuition differentials we see some real challenges instituting them and difficulties they create for individual students. Say Program A and Program B want to do some

interdisciplinary work. Program A has a differential tuition, Program B doesn't. When they take interdisciplinary or shared courses, should the student in Program B pay Program A differential tuition while they are in that course? Or should they be exempt from it because their program doesn't have differential tuition? ISRS was not built to recognize those differences. It recognizes tuition at a course level, not at a student level.

In the past the Board of Trustees has been much more amenable to graduate level differential tuition. Two years ago, Winona went to add an online differential to their existing undergraduate tuition and the Board of Trustees did not allow them to implement a new online tuition differential. Moving forward again with the concerns on affordability, and other areas I think it will be more difficult. We will have to start talking about costs that are out of our control that would create a tuition differential. Not things like student/faculty ratio unless it is a third-party accreditation issue. We are going to have a harder time justifying tuition differential moving forward is my view of what I'm hearing in Board level discussions right now. The Board hears our students' concerns about affordability. Also understand that whenever our budget is squeezed, then we start looking for new ways to raise money and we start looking at differential tuition and fees as a way that we can raise some revenues. That is a natural part of higher ed that has been true for all 32 years that I've been in it.

I foresee, especially with a split government at the state legislature this next biennium, I see some vigorous discussion happening about the online tuition differential. Probably the state's biggest opponent of that online differential is a fringe member of our region and Senator Draheim was reelected. That has been one of his primary issues that he has carried, and I don't see him putting that issue away as we move into the next biennium.

Baures-Is there a distinction being made between online differential and program differential? If so, what is the distinction between the two? Straka-Program differential would be our doctoral tuition, PSM graduate program tuition, MBA tuition those are program tuition and we have instituted those at the graduate level. The online tuition is not for a particular program that is for a method of delivery. That is one-piece, differential tuition is a piece. But a growing concern in the System is the fees that are related to that. Here is where we get away from talking about the general fund budget for a little bit and we start talking about our fee-based budget, like activities fees and health service fee, athletics fee. Then we have programs that fund levels of debt service and revenue fund fees. We are paying for debt service from those funds, we are paying for personnel out of those funds and other kinds of things. In the past, we have treated those like tax basis. My family has been very fortunate, I haven't had to use the county budget for Human Services. That is part of the tax I pay and I'm happy to pay it. Students are viewing our fees less as a tax base and more as user-based fees. Especially in this pandemic environment there is some legitimacy to this. If I can't see an athletic event, even if we can hold athletic events, but students aren't allowed to go to the event, why should I pay an athletic fee? If the dome isn't available and open to me all the time that it used to be, why should I pay a wellness fee. If I'm not on campus and there is not a lot of student activities and a lot of events, why should I pay a student activity fee? If I'm an online student and I'm able to take my courses and live in Eagan, why should I have to pay a health service fee. We are trying to deliver virtual services and we are trying to deliver virtual activities and we are trying to show that there is still support for what is going on, but there is a nation-wide discussion and a very local discussion about how we fund various activities with activity fees and whether students taking online courses should be subject to those fees or should not be subject to those fees. Again, the definition of you are clearly 100% an online student or clearly an on-campus residential student, as those lines blur it comes much more difficult to argue or delaminate who should be paying those fees and who should not. I think that is something we are going to have to deal with moving forward on a number of things that we have built up that we pay for from these fees and the concern students have. About four years ago Steve Smith and I did an analysis and just to remove the Normandale and 7700 France students and have them not pay local fees, we would have had to raise the fees to the rest of our students by 1.8% just to cover the loss in those students not being charged fees. In a time period where any time we have a fee

increase over 2% there is a state law that says we must have a student referendum that supports. Those are all factors that we need to understand what the impact is for our fee-based budgets as well as our other based budgets. The online question starts with the online differential itself, but it quickly moves to the discussion about what fees should be charged to those courses. We have decades of history of building up bodies of programming and activities and even facilities that we have used fees to fund. As we move forward Higher Ed as a whole, is going to have to look at the discussion of tuition vs. fees.

7) **System Enrollment Data**

<https://www.minnstate.edu/system/finance/budget/docs/FY2008-2023%20Master%20FYE%20October%202020.pdf>

In 2010, that was St. Cloud's peak at 15,000 students, Mankato was at 13,900, and the System was at 57,800 university students. By 2016, the System was down to 52,000 university students. Mankato was at 13,752, St. Cloud was at 11,837. Now we look at last year's actual, the System was at 48,000, Mankato was at 13,202, St. Cloud was at 9,500 and Winona was at 7,000. Projected for this year, Mankato 13,450, St. Cloud 8,500, Winona 6,500 and the System 46,000. As we look at what is projected for the next two years, Mankato is 13,500, St. Cloud 8,000, Winona 6,000 and the System 45,000. The issue that institutions are having with the enrollment losses in addition to what is happening with appropriation. We are very much an anomaly over the last decade in the direction our enrollment has gone. We have done a lot of very important things and why that is important.

This is FYE and a lot of what comes out in the media is about head count, so St. Cloud looks closer to us, but when we look at credit hours produced and we look at the FYE, we are now more than 50% larger and the second largest institution in the System and we are going to make up very close to 1/3 of the enrollment in the state universities at 13,500 and 45,416 in the System. Even with that we are facing budget issues. All our sister institutions, even the ones that made adjustments last year, Winona and Moorhead, are looking at significant additional adjustments to their budget.

Margg-The FA President at Winona told me that they met late last week, and they are looking at a \$8.5M deficit to deal with. The question I have, the budget allocation model that was used for years, that lags a lot. Is the lag starting to catch up and help us any? Straka-I don't see them going away from it. I feel more comfortable saying; it's catching up to St. Cloud in a bad way. St. Cloud took over a \$2M decrease this year. Our decrease was \$150K-\$300K. Even if St. Cloud leveled off in their enrollment right now, they would see that kind of a decrease trail out for a while. The thing that made in my opinion the model go a little wonky, was the tuition freezes that the legislature put on our two-year colleges are running through the model and it was a System decision to not just spread appropriation, but to take appropriation equal to a 2% or 3% inflation and take that off the top of the System's allocation and give it to the two-year colleges in lieu of their tuition freeze. In the years where the state universities were allowed to increase tuition, we didn't get our share of appropriation and then we got tuition and the two-years didn't. They took the tuition freeze amount off the top. That now shows up in the allocation model in the tuition buy-down where all of the universities see increases to our tuition buy-down because we have more tuition. The part of the tuition that offset the tuition freeze for two-year colleges flows through as appropriation. I think we have seen where the two-year colleges when their enrollments were climbing throughout the decade, they argued that the System didn't give them what they were due. I would argue right now; we are seeing an outflow from the universities in the System that the state universities are getting a smaller percentage of the appropriation and the two-years are getting a little larger.

If you look at total funding that might not be the same again because we were able to raise tuition in years when theirs was frozen. Unless you are getting a big increase in the System in resources, it is really hard to make a big change to that allocation model and can create winners and losers, especially when some

people are already being viewed as having fewer resources to give them even fewer resources by changing the model, is a tough political thing to do for a Chancellor or for the Board.

It is catching up with St. Cloud, we are holding fairly steady, but I think we have been hurt by the last three bienniums how the tuition freeze between the two years and four years, that certainly didn't help us in the allocation model.

8) Review of Budget Planning Principles for FY22-FY27

https://admin.mnsu.edu/globalassets/finance-and-administration/vpoffice/budgetpolicies/fy15_21budgetplanningprinciples.pdf

Straka-Did anyone have some guidance of what we would like to do, or do we think a better way to do this is to break off into a smaller group who might want to look at and review our values and make some suggestions and then bring back something to the bigger group?

The university should develop a reallocation process to ensure funds area available for investment in the community. I think Strategic Budget Planning process is really what came out of that line of the 2015-2021 planning principles about creating candidates for investment, candidates for maintenance and candidates for reduction/allocation. I would welcome people to look at and review these planning principles and see if there are things that we think have significantly changed as principles or values for us. If there are some significant changes where we think that something that would be priority and doesn't show in these principles, is there something that we are missing, or is there something that is in here as a principle that we think maybe is not as high a priority as it may have been five years ago when we went through this? That would be the way I would ask people to take a look at this document and see if we want to endorse it and move it forward or if there are some adjustments, we think it is appropriate to make to the document. Once we come up with something, take it back to Joint Budget Planning and Assessment for that group to look at it and then forward it to the Cabinet for review.

Baures-The last time we discussed this there were some suggestions made and I don't see them incorporated in here. Straka-I have not made any of those changes and will review the notes from last month. That can be a start, but I'm asking is I'm not seeing a great excitement of wanting to take this on as part of a discussion right now, but could I get a subgroup of people? Baures-I could forward you some names of people from the FA Budget Committee that would be interested in serving on that subcommittee. Straka-If there are other bargaining units that would like to be involved, please send a note to myself or Vickie Hanson and we will try to get something together moving forward.

9) Rumors / Other

Veltsos-What is the estimated timeline for communications and decisions coming up through May from administration? Straka-The timeline I would like to see for most of those decisions would be after we have had a chance to really understand what the enrollment looks like for spring. I would guess sometime in January; we don't have an absolute timeline yet. About the metrics that this would be based on, I think that was our whole discussion on #5 in the agenda item today, that we will use the Strategic Budget Planning data metrics that we will be using. The metrics from the academic data that we would be looking at the work that Academic Affairs has done in looking at trying to measure costs and revenues at a program level versus a department level as well as trying to look forward on what are the opportunities in moving, it is going to be looking at all of those metrics together and then making a qualitative subjective decision based on that. I don't think there is going to be a mix where we would feed the data in and a program would tell us what those decisions will be. Veltsos-On those metrics, are we planning a mix of backward-looking metrics as well as forward-looking metrics? Or is it all going to be historical? The reason for this is are we giving the programs and departments a chance to put themselves on a diet in a way? Straka-I don't know that we have a formal process right now for every department saying how do we look forward. They did have that opportunity and that was part of what they presented in the Strategic Budget Planning process two years ago. I think there are certainly discussions that are happening at

programs and department chair levels. My guess is that is some of the things that will be talked about at the department chair meetings and the Deans Council has been talking about opportunities. Do we have a formal metric for those environmental scans moving forward? I do know that one of the things we recently done is a contract with Region 9 to help us try to determine what some of the employment opportunities are and what the fields might be as we are looking forward. That is some data we are looking at from outside the university. We are trying to look at a mix of things, but I absolutely believe in all of this, that we can't just look back and say what do we need to do to just cut the amount of money that we need to cut? We have to be looking at this entire process and where do we want the university to be in 7 and 10 years. We have to try to set ourselves up to get there. The mindset that we need to be in as an institution, we did that in FY10 and FY12 and we made difficult decisions. I'm never going to downplay the impacts that had on people's lives at that time, but I do think we set the institution up to succeed in the decade of the 2010s relative to our sister institutions. It is another opportunity for us to reset the institution and look at how do we move forward. I agree with you; we cannot just look at where we have been and make decisions only on the lagging indicators. How can we better get information, better ideas from people over the next month or two to make sure when we have those decisions, we are informed about what the possibilities are moving forward. For all of the university, not just the academic areas. I think all of us in the non-academic area needs to be asking those same questions for our divisions as well. Where do we need to make investments, where do we need to change to serve our students and faculty and staff in a way that we are going to look 5 and 10 years from now as opposed to how we looked 5 years ago.

Smith-One of the outcomes of the Strategic Budget Planning process was when programs or departments were put into those three categories of investment, maintenance or reduction, they could look and see how they scored and what categories or areas that they could think about how do they improve that score for the next time we go through this. That was one of the outcomes of starting the processes. Those programs and departments that might have been in that reduction or maintenance category, and felt they should have been in an investment, they can look at those scores and how they matched up in other areas or how they reevaluated and think about what they can do to change that going forward and improve it.

Straka-I do think the one thing I see as a benefit of where we are going with the Strategic Budget Planning, laying out what the metrics are that we are going to measure. Going into 2010 and 2012, no one knew what the rules of the game were. I remember sitting down in CSU 284 at the time and sitting with people from across the university and trying to decide what kind of things should we look at and hoping in the world, what did we start with the discussion. Then we did the dot exercise and it was amazing we had some commonalities come out of that. I think what we are looking at now has a number of those same commonalities, but we have adjusted them. At least what we have now, I think there are some rules and guidelines to say, here are the things that we are going to measure and look at when we move forward. There are going to be some intangible kind of things that can only be gotten at through narrative and looking forward and those things and trying to balance both of those. There has to be a level of quality, efficiency and viability and mission centrality and the vision of where this fits into the overall environment moving forward, either at the state level, the regional level, institutional level. It's trying to marry data and inputs from all of those areas and trying to marry them saying what do we do going forward and then how do we get there. Some of the criticisms that came out in 2010 and 2012 I think were very just in saying how could you do this when we didn't know how we were going to be measured on. I do think being in the process now and understanding what the metrics and rubrics are is helpful. Not perfect, but helpful.

I appreciate the good questions and bring the good questions and ask them again tomorrow at the Budget Open Forums because there will be people in those meetings that weren't here, and they are wondering about the questions that you asked today. I'm more than happy to have someone address a question at either of the open forums that we addressed here so that we can get that same kind of discussion and concern out in front of as many people as possible. As we move forward with this, all of us together are going to make better decisions than any of us individually. I look forward to working with all of you to

figure out how we can set this university up to keep being a great university. We are going to continue to do the things that we do really well, and we are going to continue to be in these times, the important conduit for socially economic mobility to those that really most need it and need that opportunity in our state.

Thanks for the good discussions today. I do appreciate it. Have a good a week and stay safe everybody.

The meeting was adjourned.