

# Allocation Framework Technical Advisory Committee

**March 21, 2008**

**9:00 a.m. – 11:30 a.m.**  
**Teleconference**

## Agenda

1. Update on Peer Review Workgroup
  - a. List of peer review data elements (attached)
  - b. Pilot – site visit
  
2. Update on Presidents' Review Committee
  - a. Survey questions 1 and 2
    - Summary (attached)
    - Detail to survey questions (attached)
  - b. Survey questions 3 through 9
    - Summary (will be sent on Thursday)
    - Detail to survey questions (attached)

3. Tuition study

4. Next Meeting:

April 23, 2008, Wednesday

9:30 a.m. - 2:30 p.m.

Anoka-Ramsey Community College

## **Vision, Principles, and Assumptions Of Allocation Framework**

### **Vision (adopted by Board of Trustees August 1999)**

A single model which equitably recognizes the diversity of MnSCU students' needs and adequately supports the unique educational goals of each institution.

### **Allocation Principles (adopted by Board of Trustees August 1999)**

- **Academic goals** should drive financial planning.
- **Delegation of authority to the institution** and the resulting program diversification are necessary to create a responsive system.
- Decentralized management systems require **incentive and accountability mechanisms**.
- An **equitable** distribution of funds is needed which **recognizes the diversity of institutions, programs and students**.
- Adequate funding is essential to fulfill institutional missions and respond to compelling state needs.
- **Access** is a core element of the system's mission.

### **Assumptions Used in Developing the Allocation Framework**

- A **single model** will be developed.
- Allocations should **recognize enrollment changes**.
- The model will provide **flexibility** to drive state priorities, **collaboration** between institutions, and **basic support**.
- The allocation framework should be **sustainable**.
- **Simplicity** is important to stimulate internal and external support for appropriate funding levels.
- **Some historical funding inequities cannot be corrected** (e.g. the size and quality of the physical plant).
- Significant changes in funding levels should be mitigated through **transition funding**.
- Because of the limitations of the data, elements of the formula may be **refined as the data improves** over time.

## **Peer Review Data Elements**

**March 19, 2008**

### **Allocation Framework**

- ◆ Allocation framework detail
- ◆ Percent share of framework - change over 4 years
- ◆ Revenue buy down – change over 4 years
- ◆ Allocation framework distribution versus actual spending by IPEDS categories – 4 years

### **Revenue/Expenses**

- ◆ All funds – revenue by source; expenses by type and IPEDS categories; display by fund
- ◆ General fund – expenses by IPEDS categories
- ◆ Comparison to system spending on a per FYE basis
- ◆ Level of outside financial resources
- ◆ Reserves/fund balance

### **Student demographics**

- ◆ FYE
- ◆ Headcount – FT/PT; gender; age; ethnicity – compare to region
- ◆ Retention, graduation, transfer, success
- ◆ Age, gender, ethnicity, state of origin
- ◆ PSEO/concurrent
- ◆ Tuition status for all FYE (include PSEO, credit contract training, senior citizens, faculty waivers (MSCF paid to universities), non residents, etc.)
- ◆ Student and faculty/staff ratios
- ◆ Prospect to applicant to enrolled

### **Instruction**

- ◆ Cost study
- ◆ Instruction component of allocation framework
- ◆ Cost study to allocation framework crosswalk
- ◆ Technical versus general education split
- ◆ CIP comparison with institutions offering like instruction – gross and allocation-supported expenditures
- ◆ Trend data on programs that are outliers
- ◆ Course section detail (number enrolled, FTE, cost)
- ◆ Workload – over/under loading
- ◆ Release time – amount, for what purpose, fully loaded
- ◆ Equipment investment
- ◆ Class size

- ◆ Course capacity
- ◆ Course sharing/collaboration with other institutions
- ◆ Specialty programs – identified by institution (centers of excellence)
- ◆ Recent programs suspended or dropped; new programs

### **Student Services**

- ◆ Athletics
- ◆ Student housing
- ◆ Counseling/advising – who does this – faculty or MAPE staff?

### **Institution Support**

- ◆ Organization structure
- ◆ Health insurance for retirees

### **Physical Plant**

- ◆ Facility/space utilization
- ◆ Total square footage
- ◆ Repair/replacement per square footage
- ◆ Facility condition index
- ◆ Debt service as % of revenue
- ◆ Utilities as % of total expenditures

### **Multi-Campus Institutions**

- ◆ Sharing of administrative/student support positions
- ◆ Delivery of instructional offerings

### **Miscellaneous**

- ◆ How much use student workers
- ◆ Reallocations
- ◆ Other arrangements: for NHED look at NESU and Arrowhead University Center

# Allocation Framework Survey

## 1. Do you agree with the key principles and values that guide the allocation framework today? (Current vision, principles and assumptions attached.)

Colleges	
<p><b>Alexandria Technical College</b> <i>President</i> <i>Kevin Kopischke</i></p>	<p>Alexandria Technical College has no significant issues with principles and values.</p> <p>The only “<i>incentive mechanism</i>” for increased allocation however, is enrollment growth, and this is becoming an increasingly difficult outcome for many rural campuses, due to demographic changes. This enrollment growth incentive continues to drive competition in concurrent enrollment and PSEO markets. We question whether or not this is positive from a quality (and credentialing) perspective.</p> <p>Regarding the “<i>Access</i>” principle: If MnSCU is committed to all of its rural campuses, financial support of a workable infrastructure is imperative. The present allocation model – particularly as we look 3 – 5 years ahead – seems unlikely to support or protect that infrastructure investment.</p>
<p><b>Anoka-Ramsey Community College</b> <i>President</i> <i>Patrick Johns</i></p>	<p>For the most part the guiding principles and values are still valid today. The principle statements could be better defined and connected to the current environment.</p>
<p><b>Anoka Technical College</b> <i>President</i> <i>Anne Weyandt</i></p>	<p>Anoka Technical College wholeheartedly endorses the vision, principles and assumptions upon which the allocation framework is based.</p>
<p><b>Central Lakes College</b> <i>President</i> <i>Larry Lundblad</i></p>	<p>Yes</p>
<p><b>Century College</b> <i>President</i> <i>Larry Litecky</i></p>	<p>Yes. We believe that it is healthy to have multiple principles while recognizing the inherent tension between these principles and values.</p>
<p><b>Dakota County Technical College</b> <i>President</i> <i>Ronald Thomas</i></p>	<p>Yes, there should be a model (formula) whereas institutions are allocated State appropriation that support educational goals. However, maybe a single model is not the answer – because of the uniqueness of the educational goals (i.e. Liberal Arts vs. Technical education) non-salary costs incurred are significantly different as well as the maximum size allowed in classroom sections.</p>
<p><b>Fond du Lac Tribal &amp; Community College</b> <i>President</i> <i>Donald Day</i></p>	<p>The framework seems to provide a positive reflection for FDLTCC. As a growing institution, we are always looking for means to support programs as they begin, grow, plateau, and sustain.</p>
<p><b>Hennepin Technical College</b> <i>President</i> <i>Kathryn Jeffery</i></p>	<p>In regards to the principles I agree but not sure of the measure. For example, diversity of students and diversity of institutions. Even diversity of programs is difficult. All institutions and basically all FYE are equal. Academic outputs drive the allocation model. Academic goals should drive financial planning.</p>

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<p><b>Inver Hills Community College</b> <i>President Cheryl Frank</i></p>	<p>Yes, Inver Hills agrees with the principles and values of the framework. We think that <i>simplicity is important, but predictability is priority.</i></p>
<p><b>Lake Superior College</b> <i>President Kathleen Nelson</i></p>	<p>The college feels that the vision and principles are key to creating an allocation model that supports the missions of the higher education, MnSCU and Lake Superior College. The college is concerned that the evolution of the model over time to address issues raised by the Legislature or individual campuses has resulted in a model that does not necessarily reflect the vision and principles developed in 1999.</p>
<p><b>Minneapolis Community &amp; Technical College</b> <i>President Phillip Davis</i></p>	<p>Yes – MCTC is in agreement with the principles and values that guide our current allocation model.</p>
<p><b>Minnesota State College-Southeast Technical</b> <i>President James Johnson</i></p>	<p>Yes with Vision, principles and assumptions.</p>
<p><b>Minnesota State Community &amp; Technical College</b> <i>President Ann Valentine</i></p>	<p>The college does agreed, however with the continual shift in demographics and the large emphasis that enrollment has on the allocation model is making it difficult for the rural colleges and universities to stay current and provide all of the services that are required. If access continues to be a guiding principle, then the emphasis on enrollment needs to be modified.</p>
<p><b>Minnesota West College</b> <i>President Ronald Wood</i></p>	<p>Yes – However the current concept of access for rural colleges and technical colleges has been undervalued with the current process of allocation applied to the Allocation Framework.</p>
<p><b>Normandale Community College</b> <i>President Joseph Opatz</i></p>	<p>The principles are appropriate for the framework. The assumptions are generally appropriate but may need to be reconsidered, given the challenges that are being felt by many institutions due the framework’s structure. Specifically, the dependence on a single model despite the diversity of institutions strains the framework’s validity. It has also necessarily created a level of complexity that conflicts with another of the assumptions; its simplicity. This complexity has made understanding how it works very difficult, especially by faculty who are asked to adjust their programs to improve the institution’s financial standing. This makes acceptance of the model less achievable.</p>
<p><b>North Hennepin Community College</b> <i>President Ann Wynia</i></p>	<p>Absolutely. This Allocation Framework was designed and implemented to recognize students. It allocates resources based on the costs of serving students. This is as it should be. The Allocation Framework does not, and should not exist to allocate State resources to protect bureaucracies.</p>
<p><b>Northeast Higher Education District</b> <i>President Joseph Sertich</i></p>	<p>NHED believes the current vision, principles and assumptions essentially captures what we believe is important in guiding discussions and potential changes to the allocation framework. However, NHED does not believe that today’s current funding formulas reflect those principles by appropriately funding colleges through the framework. Most importantly, many things have changed since the current funding process was put in place almost ten (10) years ago and implemented over six years ago. The most significant is the</p>

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	fact that the legislature is no longer giving us money the way we're distributing it; which could change our interpretation of assumptions.
<b>Northland College</b> <i>President</i> <i>Anne Temte</i>	Yes, we support the principles. However, there is ambiguity involved in some of the words. For example, how is "equitable" defined? And, we question whether all of the assumptions used in developing the framework still pertain.
<b>Pine Technical College</b> <i>President</i> <i>Robert Musgrove</i>	The college has no argument with the vision or principals. However, I do not believe that they are embodied in the framework itself, but, rather, that the values the framework creates are not those we espouse in the document. Also, since the legislature has decoupled the way they give us money from the way we distribute it, I feel we should also question now all the assumptions used in developing the framework.
<b>Ridgewater College</b> <i>President</i> <i>Douglas Allen</i>	Yes
<b>Riverland College</b> <i>President</i> <i>Terrence Leas</i>	In general, yes
<b>Rochester Community and Technical College</b> <i>President</i> <i>Don Supalla</i>	Yes
<b>St. Cloud Technical College</b> <i>President</i> <i>Joyce Helens</i>	What does access mean? Is there a point where access is no longer viable or feasible?
<b>Saint Paul College</b> <i>President</i> <i>Donovan Schwichtenberg</i>	Yes
<b>South Central Technical College</b> <i>President</i> <i>Keith Stover</i>	Yes
<b>Universities</b>	
<b>Bemidji State University</b> <i>President</i> <i>Jon Quistgaard</i>	The key principles and values as a philosophy for the allocation framework have become outdated with the change in the higher education landscape in Minnesota since 1999. Also, some of the principles have more weight than others in practice so for many institutions within the system they contradict one another.
<b>Metropolitan State University</b> <i>Interim President</i> <i>William Lowe</i>	Yes, the vision and principles are appropriate.

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<p><b>Minnesota State University Moorhead</b> <i>President</i> <i>Roland Barden</i></p>	<p>See vision, principles and assumption concerns in Questions #2.</p>
<p><b>Minnesota State University, Mankato</b> <i>President</i> <i>Richard Davenport</i></p>	<p>We agree with the allocation principals and values as stated.</p>
<p><b>Southwest Minnesota State University</b> <i>President</i> <i>David Danahar</i></p>	<p>Generally, Southwest Minnesota State University agrees with the principles and values. However, while I agree that there can be a single model, it must adequately differentiate between institution type, size, and location.</p>
<p><b>St. Cloud State University</b> <i>President</i> <i>Earl Potter</i></p>	<p>The key principles and values continue to be a solid framework for the allocation of resources in today's complex world. MnSCU and the institutions must continually strive to use these as the foundation for the allocation of resources.</p>
<p><b>Winona State University</b> <i>President</i> <i>Judith Ramaley</i></p>	<p>The assumption that single model be used that equitably distributes the resources of the system should be reviewed. By trying to incorporate all facets of both two-year and four-year institutions tends to decrease the effectiveness of the model.</p>

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## 2. What key principles or values should be preserved, added, deleted or modified?

Colleges	
<p><b>Alexandria Technical College</b></p> <p><i>President Kevin Kopischke</i></p>	<p>The “<i>equitable distribution of funds</i>” must be reviewed in light of changing demographics in rural Minnesota.</p> <p>Market realities – which are different than 5 years ago, and will likely change in the next 5 years – must be recognized and re-evaluated. Important to this concern is the question of “What is the ‘<i>right size</i>’ for a particular campus?” It may be that some of our rural campuses / colleges simply <i>will not</i> grow much larger . . . and maybe <i>should not</i> grow much larger. Does the system plan to support those campuses / colleges . . . or allow the financial drain of the present allocation model to squeeze them out of business. Our sense is that there should be some targeted regional planning involved here. . . addressing both the campus survival issue and new program approval.</p> <p>The cost of personnel (union negotiated wage and benefit packages) continues to increase. General fund revenue sources (tuition and allocation) are not increasing at a rate sufficient to pay for these settlements at an increasingly large number of colleges. It is likely that the ratio of college-wide salary and benefit costs to general fund revenues (tuition and allocation) will exceed 85% within the next 3 – 5 years at a number of colleges.</p> <p>There is minimal or no return on investment for starting new programs that may be high cost.</p>
<p><b>Anoka-Ramsey Community College</b></p> <p><i>President Patrick Johns</i></p>	<p>Not sure delegation of authority plays a role in program diversification. It does aid in being responsive. As do collaborations. Incentives need to be in place for open door institutions.</p>
<p><b>Anoka Technical College</b></p> <p><i>President Anne Weyandt</i></p>	<p>Academic goals should continue to drive planning and local autonomy should be preserved to enhance program diversification across the system. Transitional funding may mitigate impacts on a particular institution but shifts negative consequences onto other colleges.</p>
<p><b>Central Lakes College</b></p> <p><i>President Larry Lundblad</i></p>	<p>Further discussion is needed on access and what it means within MnSCU. Demographics are changing in our service regions and in the state, particularly in rural Minnesota. We need to discuss the impact of these changing demographics on our MnSCU institutions and how we continue to provide access in areas where there is declining population and aging demographics.</p>
<p><b>Century College</b></p> <p><i>President Larry Litecky</i></p>	<p>Strengthen the emphasis on incentives within the model.</p> <p>Strengthen the emphasis on access and recognize the impact of increasing access, specifically in relation to FYE growth, and the increased costs associated with serving under-prepared students.</p>
<p><b>Dakota County Technical College</b></p> <p><i>President Ronald Thomas</i></p>	<p>The idea of having overall basic components to the model – (i.e. facilities, admin support, etc) need to be maintained. A method of comparing these components needs to be explored so as to promote efficiency and effectiveness – like the instructional cost component. Covering the costs based on a national average is not the answer.</p> <p>The tuition off-set tends to penalize technical colleges. Technical colleges need to keep lower class sizes because of health &amp; safety issues and the need of greater “hands on” experience. Technical colleges must also spend a significantly greater percentage of their budget on non-salary program and equipment costs that are necessary to provide this hands-on education. This compared to some of our sister schools that are able to hold larger “lecture” classes while</p>

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	<p>maintaining one instructor and low non-salary class costs. We are forced to increase tuition cost at a greater rate than our sister schools in order to cover the cost of maintaining low class sizes and expensive program costs that the increase in State appropriation does not cover. This in turn increases our tuition off-set which reduces our percentage of the allocation framework. This is a “double whammy” for stand-alone technical colleges. We have higher tuition per credit then our sister schools while decreasing our percentage of the overall allocation framework.</p>
<p><b>Fond du Lac Tribal &amp; Community College</b> <i>President Donald Day</i></p>	<p>Enrollment and square footage of facility should be strongly considered, especially those institutions that have large increases within the past 5 to 7 years.</p>
<p><b>Hennepin Technical College</b> <i>President Kathryn Jeffery</i></p>	<p>Institution authority to allocate and manage resources; Equitable distributions that recognize institutional diversity; Adequate funding is needed to make the model work – without enough, choices always need to be made.</p>
<p><b>Inver Hills Community College</b> <i>President Cheryl Frank</i></p>	<p>Comments on the Framework:</p> <p>We believe that as much of a college’s allocation as possible should be left unrestricted and that colleges should be left to decide how funding will be spent. Colleges should then be held accountable for Board of Trustee/Chancellor strategic directions.</p> <p>We think that a way should be found to bring all institutions more to the system average Revenue Buydown. Institutions at the extremes should not move even further to the extreme.</p> <p>It is important to recognize the evolution of the mission of two-year colleges: community colleges now have extensive career programs; technical colleges are now delivering more liberal arts classes. It seems that under the current framework, technical colleges get the allocation benefits of technical programming AND the revenue benefits of lower cost/higher enrollment liberal arts courses.</p> <p>Data integrity (especially in coding) should be examined and aligned.</p> <p>It should be remembered that course tallies are not just driven by the technical or career aspect of a course. On campuses with older buildings (with small classrooms) and with faculty who have moved to an active learning model, the tallies of courses can be restricted by the teaching and learning methodology demands.</p>
<p><b>Lake Superior College</b> <i>President Kathleen Nelson</i></p>	<p>The college would suggest consideration of adding this principle: Future funding should be predictable to encourage and support long-term financial planning.</p> <p>Intended within this principle would be recognition that any consideration of adjustments to meet State/System goals or individual institution needs should effect fewer than 2% of any institution’s allocation and should have firm sunset dates.</p>
<p><b>Minneapolis Community &amp; Technical College</b> <i>President Phillip Davis</i></p>	<p>Allow the model to allocate the \$\$ out to the institutions but leave it unrestricted or unfenced as much as possible. Keep the model as simple as possible and predictability should be a priority. The impact of the revenue buy-down in the model should be reviewed. Understand what impact it has had on the model.</p>
<p><b>Minnesota State College - Southeast Technical</b> <i>President James Johnson</i></p>	<p>Make sure we recognize the diversity of programs and individual institutions missions.</p>

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<p><b>Minnesota State Community &amp; Technical College</b> <i>President Ann Valentine</i></p>	<p>The college agrees with the current principles, however the strong emphasis on enrollment should be modified. Although the demographics of our region tell us that the number of students that will be coming to our campuses will be going down, the needs of those students are increasing. With this increase in needed services, comes an increase in cost. However, because the enrollments are not increasing at the rate of the metro colleges no funding is likely to be generated through the model to pay for these services. If affordable access and available services for a diverse student body are to remain as guiding principles, then there needs to be a funding mechanism to drive allocation to pay for these principles.</p>
<p><b>Minnesota West College</b> <i>President Ronald Wood</i></p>	<p>None</p>
<p><b>Normandale Community College</b> <i>President Joseph Opatz</i></p>	<p>It may be necessary to add values like “viability” to recognize that at some level of funding, an institution faces serious risks to its ability to stay open with high quality programs and services. This should be coupled with some measures of efficiency to assure that before recognition in the formula is given for “viability”, assurances are provided that show everything that can be done to improve standing on the framework is being done.</p>
<p><b>North Hennepin Community College</b> <i>President Ann Wynia</i></p>	<ol style="list-style-type: none"> <li>1. Academic goals – preserve.</li> <li>2. Delegation of authority to the institution – preserve.</li> <li>3. Incentive and accountability mechanisms – preserve</li> <li>4. Recognizing the diversity of institutions, programs and students – preserve</li> <li>5. Fulfill institutional missions and respond to compelling state needs – Need to recognize that there may be a difference in some instances between an institutional mission and a “compelling state need.” The current model allows institutions to make decisions in a decentralized fashion to fulfill their missions. If the model were FULLY funded we would be able to do that even more. However, when a compelling state need requires greater centralization and focus of resources, those may best be accomplished through system set asides or priority funding. A separate issue is when the legislature chooses to fund particular institutions first out of the system appropriation before the remaining funds are processed through the Allocation Framework. Discuss whether funds given directly to schools from the legislature should be wholly or partially recognized in the model for those schools.</li> <li>6. Access is a core element of the system’s mission – The discussion of access must include access for under-represented, under-served students who need access to an urban school and who often arrive with substantial academic development needs requiring personnel-intensive remedial work. Currently, race and ethnicity are unrecognized in the formula leading to a distribution of funds away from areas with large concentrations of students in these categories.</li> </ol>
<p><b>Northeast Higher Education District</b> <i>President Joseph Sertich</i></p>	<p>The one major principle that all colleges could benefit from is the cost of personnel. Statewide bargaining with the seven collective bargaining units drive most of the cost associated with delivering services on campuses. NHED believes a new contract-driven principle should be adopted that would compensate colleges irrespective of other aspects within the formulas. Also, three-year averaging does nothing more than delay the effects of the volatility from year to year that has a major impact on funding to colleges. We must adopt a principle that begins to de-value the revenue buydown as it relates to five of the seven formulas within the framework.</p>

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<p><b>Northland College</b> <i>President</i> <i>Anne Temte</i></p>	<p>If “equitable distribution” includes in its definition “adequate funding to fulfill institutional missions and respond to compelling state needs,” the principle should be retained. If “equitable distribution” allows the fiscal health of institutions to decline to the point that core programs and services cannot be sustained, then the principle must be more concisely defined. The unintended consequences of the current formula must be identified and either openly acknowledged or rejected through refinement of the formula to assure different outcomes.</p> <p>We question whether a single model is still feasible, given the distinctly different population and enrollment growth patterns throughout the state.</p>
<p><b>Pine Technical College</b> <i>President</i> <i>Robert Musgrove</i></p>	<p>Again, there is not much wrong with the values and principals espoused – our method just doesn’t incorporate them in a meaningful way. We also should recognize a couple of market realities through the assumptions. First, our principal cost is personnel. Allocations should recognize changes in personnel costs as they are developed through the contracts. Otherwise, we put institutions in the position of having to cope with contract-driven costs that they cannot control. Secondly, the allocations formulae need to be resettled on predictable, less-volatile basis.</p>
<p><b>Ridgewater College</b> <i>President</i> <i>Douglas Allen</i></p>	<p>Not sure whether this is a key principle or value necessarily and another question may get at this, but I believe the formula should recognize that economic development is a key component of our mission—preparation of a trained workforce, support for small business, agriculture, development of economic opportunities in our communities, etc..</p>
<p><b>Riverland College</b> <i>President</i> <i>Terrence Leas</i></p>	<p>Consider adding a one-year ‘hold harmless’ or ‘grandfather’ clause for institutions experiencing a sharp enrollment decrease. When enrollments decline and allocation dollars are reduced, new program development to try to build enrollment totals becomes a financial challenge. Additionally, employee separation payouts in the event of staff/faculty reductions create a financial burden.</p>
<p><b>Rochester Community and Technical College</b> <i>President</i> <i>Don Supalla</i></p>	<p>No comment.</p>
<p><b>St. Cloud Technical College</b> <i>President</i> <i>Joyce Helens</i></p>	<p>What does access mean? Is there a point where access is no longer viable or feasible?</p>
<p><b>Saint Paul College</b> <i>President</i> <i>Donovan Schwichtenberg</i></p>	<p><u>Access</u> should be defined. Is it geographical access? Is it access to programs within a geographical area? Is it access for underserved/underrepresented? Can we afford to be everything to everybody in every location of the state? The principle of “adequate funding is essential to fulfill institutional missions and respond to compelling state needs” deserves attention. We do not have adequate funding and the lack of it needs to be addressed. This is particularly pertinent at a time when tuition is capped, revenue has been legislatively reduced, and contracts negotiated at rates that cannot be supported with reduced tuition and revenue. <u>Delegation of authority to the institution and program diversity</u> has been stifled due to the close monitoring of program duplication (no agreed upon definition), the existence of centers of excellence (and the inability to duplicate center activity), and the deliberate duplication of programs and services in areas outside of college boundaries. When these principles are not defined, monitored and evaluated consistently, they serve only to create competition among and between campuses.</p>

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<p><b>South Central Technical College</b> <i>President</i> <i>Keith Stover</i></p>	<p>Bold “adequate funding” under the Allocation Principles.</p>
<h2>Universities</h2>	
<p><b>Bemidji State University</b> <i>President</i> <i>Jon Quistgaard</i></p>	<p>Academic goals driving financial planning and delegation of authority to the institution are two principles that need to be preserved.</p> <p>Since August 1999, adequate funding from the state of MN to fulfill institutional missions and respond to compelling state needs has been a challenge. Because of this, our system has become more reliant on revenue from tuition, fees, and other sources to meet our goals. Without adequate state funding, we believe there have been consequences where access has been compromised and funds have not been distributed equitably that recognize the diversity of institutions, programs and students. Generally, colleges and universities that are in the poorest part of the state have been forced to charge the highest tuition rates in the system to be able to serve their students. Along with challenging demographics, enrollment is not able to keep pace with institutions resulting in a diminishing share of the system’s state allocation to the institution. Over the past eight years, this is forcing some institutions that charge the highest tuition and fee rates to also be constantly reducing services and not having flexibility to respond to student and regional needs. Access and an equitable distribution of funds to recognize diversity of institutions, programs, and students need to be viewed in a different manner. A mathematical formula that treats a large university the same as small two-year colleges cannot address equity across the board without some qualitative intervention.</p> <p>With the last two biennia having tuition caps imposed by the Board along with the labor contracts being negotiated at a state or system wide level, many institution’s overall flexibility has been further reduced which is contradictory to having a decentralized management system.</p> <p>Overall, we think these principles and values need to be revisited to reflect the current environment we are operating within.</p>
<p><b>Metropolitan State University</b> <i>President</i> <i>William Lowe</i></p>	<p>The principles are excellent, as far as they go. It is important to note that the framework is fundamentally based on adequate funding (as determined by the model itself), and we have NEVER been able to fully fund the model.</p>
<p><b>Minnesota State University Moorhead</b> <i>President</i> <i>Roland Barden</i></p>	<p><b>Vision:</b></p> <p>The phrasing “a single model” has been interpreted too rigidly, since adoption of the vision in 1999. Specifically, it precludes the Board from setting strategic plans, board policies, and budgeting decisions based on the mission of the component institutions. Most agree that the component institutions can be sorted into (four) sets based on mission. I believe the Board must exercise its leadership in full recognition of the different missions of the member institutions.</p> <p>For instance, the Board has the privilege to decide that one mission needs more, or less, emphasis at a given time, reflecting their understanding of needs and opportunities in Minnesota at that given time. I argue that the Board also has a duty to do so.</p> <p>For instance, “breakout change” will most likely occur in a component unit that is marginalized; that is, the component unit has a mission unlike the missions of the traditional and historical member institutions. How could the Board properly institutionalize (fund) a “breakout change unit” into the allocation process given the limitations of “a single model”? In other words, our vision is too small and too confining given the real potential of our enterprise and the need for flexibility to respond to change and/or opportunity.</p>

# Allocation Framework Survey

	<p><b>Principles:</b>          Most of the principles adopted in 1999 have held up to the tests of intervening years quite well. However, we have yet to attain an allocation process that meets the expectation of “An equitable distribution of funds is needed which recognizes the diversity of institutions, programs and students”. The current allocation model does incorporate certain features that would appear to match this principle, but, while this principle is admittedly difficult to operationalize, we must now commit the expertise, effort, and time to ensure our enterprise will continuously improve to attain a proper fit to the expectations of this principle. Let’s capture the benefits that we could accrue to our enterprise. In short, we want and expect more of ourselves in this area, and we must attain a better model in the current change-making work-over of the allocation process.</p> <p><b>Assumptions:</b>          To continue on a theme presented earlier, “a single model will be developed” has to go. This assumption was a politically motivated (as in internal enterprise politics) statement to calm a large group of anxious, restless, (some) angry tribal chieftains (i.e. institutional leaders) at the time of forming a new statewide federation in law and policy, a federation that was then nascent in fact. This is all ancient history today. What “the model” is to be needs a total forward-looking re-thinking leading to a re-statement of this assumption.</p> <p>Enrollment changes are recognized in the current allocation model. Expert fiscal analysis readily reveals what the impact is. Is the result what the Board intends? Does the Board (Chancellor) actually know what an expert fiscal analysis of this assumption shows?</p> <p>The model is not sufficiently flexible with respect to institutional mission, as I argue above. I believe that in practice the allocation model is “tweaked” for political (or other, unknown) reasons by someone. That is a “flexibility” that mocks the integrity of the whole enterprise.</p> <p>“Collaboration between institutions” is frustrated by the current model; the model absolutely does not drive collaboration. No institutional leader knows what will happen to the institution’s funding bottom-line, should a change-seeking decision to increase collaboration be made on a campus. (Enterprise software is not “smart” about collaboration either.) The allocation model must lead to predictable, beneficial changes in funding, if the Board truly wants to promote collaboration within the enterprise. Additionally, the Board/model must come to grips with collaboration that includes institutions that are not members of the enterprise. Here too, the current policy and model are “too small” and not a match to the opportunities for improvement available to the enterprise through (even radical) change.</p> <p>The invitation to mitigate change through transition funding is an invitation for “tweaking” by whoever it is that currently has the power to “tweak” the model/process/percentage share of funds. I agree that transition funding may be a necessary feature, but it must be transparent to the key stakeholders. And, the Board must decide whether to seek a change in the model and thus capture in the model the new change/knowledge that led to “tweaking”.</p> <p>“Refined as the data improves” has not been done well. In your own mind, name the billion dollar enterprises that do not expertly analyze the operational consequences of central fiscal decisions and policies. Our enterprise devotes very little of its vast resources to program analysis in finance terms, in contrast to the impressive investment in program analysis in academic and assessment terms. How can we convince anyone that we know (as in true knowledge) what to change/fix? Sending around a survey to collect user’s satisfaction responses, while necessary, simply is not sufficient to the reality and totality of the task at hand. <b>Contract for financial analysis expertise, time and effort; match the thoroughness of the analysis to the critical importance of this task.</b></p>
<p><b>Minnesota State University, Mankato</b>  <i>President Richard Davenport</i></p>	<p>We believe that there should be a value that an institution should not be unduly harmed or dependent upon the actions of the other institutions. We understand the inherent difficulty of doing so in a zero sum model.</p>

# Allocation Framework Survey

<p><b>Southwest Minnesota State University</b> <i>President David Danahar</i></p>	<p>With regard to allocation principles, the university feels academic goals should be the primary force driving planning but other goals should also be considered. For instance, environmentally sound methods of maintaining and updating the physical plant might be a goal.</p> <p>With regard to the first assumption, while a single model may be able to allocate funds appropriately, we must recognize the differences between institution types, sizes and locations. Some of those differences are currently recognized but we must remain cognizant of other differences and adjust the formula as these differences are noted.</p>
<p><b>St. Cloud State University</b> <i>President Earl Potter</i></p>	<p>The components of set asides and priority funds are not adequately addressed in the principles and values as stated. As such, it elevates an element of unpredictability to the framework and a sense of a more centralized management system.</p>
<p><b>Winona State University</b> <i>President Judith Ramaley</i></p>	<p><i>Academic goals should drive financial planning</i> should be preserved. There also should be greater reward or linkage to the MnSCU system's strategic goals.</p>

## **Summary of Questions 1 and 2 of Survey to Identify Incentives/Barriers within the Current Allocation Framework**

### **Question 1: Do you agree with the key principles and values that guide the allocation framework today?**

Overall the responses were supportive of the principles and values. However, the following concerns were expressed:

- ◆ Access is undervalued – focus on enrollment overstated
- ◆ Concern that principles/values not incorporated into framework
- ◆ Some outdated/some weighted too much
- ◆ Access/enrollment conflicting
- ◆ Program approval versus allocation framework needs discussion

### **Question 2: What key principles or values should be preserved, added, deleted or modified?**

Preserve:

- ◆ Predictability
- ◆ Simplicity important
- ◆ Adequate funding
- ◆ Enrollment
- ◆ Delegation of authority
- ◆ Academic goals should drive financial planning

Modify:

- ◆ Single model
- ◆ Access – define
- ◆ Predictability
- ◆ Infrastructure support (access)
- ◆ Equitable distribution (especially in light of changing demographics)
- ◆ Enrollment
- ◆ Diversity of institutions/programs/mission/students

Add:

- ◆ Importance of set asides and priority funds
- ◆ Connection to strategic goals
- ◆ Recognize personnel costs
- ◆ New program development (innovation)
- ◆ Environmentally sound physical plant investment
- ◆ Not be harmed or dependant upon actions of others
- ◆ Viability (some level of base funding)
- ◆ Efficiency
- ◆ Incentives path

**Presidents' Review Committee  
Allocation Framework - Process Timeline**

<b>Date</b>	<b>Group</b>	<b>Notes</b>
<b>December 2007</b>	<b>Presidents' Review Committee (PRC) Formed</b>	<b>Judith Ramaley – Ann Valentine Co-Chairs Robert Musgrove Earl Potter Ann Wynia Joe Opatz Anne Temte Linda Baer Laura King</b>  <b>Staff: Leslie Mercer, Judy Borgen and Karen Kedrowski</b>
<b>January 2008</b>	<b>PRC Introductory Meeting</b>	<b>Review committee purpose and project scope Review proposed survey</b>
<b>February 2008</b>	<b>Survey Conducted</b>	<b>Allow colleges and universities to respond until February 25</b>
<b>March 3, 2008</b>	<b>PRC 2<sup>nd</sup> Meeting</b>	<b>-Review all responses to survey. (Staff – prepare document with all responses plus a summary of the common themes) -Committee designs a document to share electronically with all presidents focusing on the responses to questions 1-2 regarding “Values and Principles.” Ask presidents to come to LC sector meeting in April prepared to discuss and confirm the values and principles that should be included. (Without agreement on this step going further might be wasted effort.) - Draft of principles and values and survey responses sent to all presidents</b>
<b>March 21, 2008</b>	<b>Technical Advisory Committee (TAC)</b>	<b>Reviews results of the PRC priority direction and survey results to start thinking regarding possible ways certain items might be incorporated into the framework (just a beginning heads up)</b>
<b>March 31, 2008</b>	<b>PRC 3<sup>rd</sup> Meeting</b>	<b>- Prepares for sector discussion the following day - Identify issues and prioritize responses received from survey questions 3-9 - Prepare document to share electronically</b>

		<p>with all presidents following the April 1 sector meetings with priorities from remaining questions</p> <ul style="list-style-type: none"> <li>- Discuss format/communication for May 5 open forum</li> <li>- Following sector meetings prepare summary of each discussion.</li> </ul>
<b>April 1, 2008</b>	<b>Leadership Council</b>	<b>Sector discussion of principles and values</b>
<b>April 4, 2008</b>	<b>PRC</b>	<b>Distribute summary of sector discussion and priority draft to all presidents.</b>
<b>April 23, 2008</b>	<b>TAC</b>	<b>Continue work on ways to incorporate changes</b>
<b>May 5, 2008</b>	<b>PRC 4<sup>th</sup> Meeting</b>	<ul style="list-style-type: none"> <li>- Holds open forum to hear from all who wish to address the committee regarding the survey content (presidents and other administrators)</li> <li>- Following forum meet to discuss input received and format for taking it to the sector and full council meeting the next day</li> <li>- Discuss input received from TAC</li> </ul>
<b>May 6, 2008</b>	<b>Leadership Council</b>	<ul style="list-style-type: none"> <li>-Outcome from forum brought to sector and/or full council for additional discussion</li> <li>-TAC input also shared</li> </ul>
<b>May 27, 2008</b>	<b>TAC</b>	<b>Reviews results from PRC and LC priority discussion and make recommendation to PRC regarding methods for making modifications to the framework</b>
<b>June 2, 2008</b>	<b>PRC 5<sup>th</sup> Meeting</b>	<ul style="list-style-type: none"> <li>- TAC input shared with committee</li> <li>-Finalizes recommendation for consideration by the sectors and full Council</li> </ul>
<b>June 3, 2008</b>	<b>Leadership Council</b>	<ul style="list-style-type: none"> <li>-PRC recommendations presented to full council</li> <li>- Council considers impact if any on the FY2010-2011 Biennial Budget</li> </ul>
<b>September 2008</b>	<b>Board of Trustees</b>	<b>Chancellor presents information update or action for Board approval if needed</b>

**DRAFT – February 25, 2008**