



**Minnesota State Colleges and Universities  
System Procedures  
Chapter 7 – General Finance Provisions  
Procedures associated with Board Policy 7.6**

### **7.6.1 Competition with Private Sector**

**Part 1. Authority.** *Board Policy 7.1.1, Finance and Administrative Authority of Board, Chancellor and Presidents*, delegates to the chancellor authority to develop procedures and guidelines to implement this policy.

In accordance with *Minn. Stat. Section 135A.13, Student Services Prices*, the governing board of each public post-secondary system is requested to establish prices for goods and services sold through auxiliary activities that approximate as nearly as possible the cost of providing quality goods and services.

**Part 2. Purpose.** Each college and university has a responsibility to carefully consider any decision to provide products and services to students, faculty, staff, private organizations or the public at large, particularly where the products and services to be provided might compete with similar products or services offered by the private sector or other governmental units. Some degree of competition between the college or university and the private sector may be unavoidable, even when the college or university is engaged in the narrowest pursuit of its instructional, research, and public service missions. It is understood that delivery of contract and non-credit instruction and related services to the public is integral to the college/university mission. However, in all cases where a potentially competitive situation exists, the college or university must consider the concerns of affected private businesses and with sensitivity and good faith regarding those concerns and follow the criteria set out at Part 4 below. Colleges and universities must also be aware of possible tax consequences for Unrelated Business Income Tax (UBIT), and other potential liability issues, including but not limited to Workers Compensation and liability insurance.

**Part 3. Establishment of Procedures.** Each college and university shall develop a procedure to review specific issues of competition using the criteria and pricing principles defined in this procedure. The procedure shall address, but not be limited to, the following issues:

- (a) Process for considering major new competitive activities and for reviewing ongoing activities whose appropriateness has been questioned.
- (b) Periodic review of pricing structures of all significant competitive activities.
- (c) Presidential decision on whether to implement or continue the activity and whether the pricing of the products and services is appropriate.

**Part 4. Allowable Competitive Activities.** All activities competitive with the private sector or other governmental units must be integral to the fulfillment of the college's or university's instructional, research or public service missions or must meet one of the following criteria:

- (a) Economic efficiency. Economic efficiency implies that the college or university resources can be made available to the broader community at relatively little additional cost to the

college or university. For example, the use of underutilized college or university facilities such as stadiums and auditoriums for non-college or non-university functions such as high school graduation ceremonies and sporting or other entertainment events may benefit the college or university as well as the private sector and the community.

- (b) Unavailability. The product or service is unavailable elsewhere in the community. Unavailability may be defined in terms of quality or quantity of the product or service. For example, the sale of research by-products, which would otherwise be unavailable in the community, may benefit both the college or university and the community.
- (c) Convenience. Providing the product or service is a major convenience to the campus community including students, faculty, staff and other members of the public participating in institutional activities. Convenience would typically be defined in geographic terms; although other factors could also be considered (e.g., hours of operation of private sector providers). Examples of operations conducted primarily to support campus life include, but are not limited to, on-campus recreational facilities, copy centers and bookstores.
- (d) Instructional Mission. Providing the good or service is integral to the college's or university's instructional mission. This includes goods and services that are sold to students, staff and the general public provided by students participating in instructional programs. Examples include activities such as automotive repairs and cosmetology services.
- (e) Quality. Offering the product or service is of significant importance to maintaining the quality of the institution. Most crucial to maintenance of quality are efforts which impact positively on student, faculty and staff recruitment and retention. For example, the operation of quality cultural and health facilities is important for the maintenance of quality.

When required by a federal or state mandate, other activities that compete with the private sector are also permitted.

**Part 5. Pricing Principles.** Products or services offered by a college or university shall normally be priced to recover, at a minimum, all costs related to producing the product or service, including all applicable direct and indirect costs as determined in accordance with System Procedure 7.3.3, Cost Allocation. Exceptions to full cost recovery pricing are permitted (or are required) under the following circumstances:

- (a) If the activity is integral to the fulfillment of the college's or university's instructional, research or public service missions, prices may be established at less than or more than full cost recovery upon approval by the president.
- (b) If underutilized college or university facilities are made available for non-college or non-university events, prices may be set above the full recovery of costs, and shall be subject to the requirements of Procedure 6.7.2.
- (c) If products and services are offered for the convenience of students, faculty, staff or participants in college or university activities, prices must be competitive with private sector prices, unless a higher price is required to ensure full cost recovery.

In addition, if subsidized pricing is mandated or permitted by federal law or state statute, prices should be set accordingly.

**Part 6. Accountability.** Full documentation of costs and pricing determinations must be developed and maintained. The pricing structure must be in compliance with the above criteria and other Board policies and procedures. The impact of the proposed activity on the private sector must be examined as part of the documentation.

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*Date of Implementation: January 18, 2002,*

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*Date & Subject of Revisions:*

*1/25/11 - Addition of possible tax consequences for Unrelated Business Income Tax (UBIT), and other potential liability issues; related documents updated*