

**MSU Moorhead
 Projected Base Budget Change
 FY 2009 through FY 2011**

FY 2009 Base Budget (AY 2008-09)

FY 2009 Original base budget	\$64,822,291	
Projected tuition revenue shortfall	<u>(\$641,177)</u>	0.99%
FY 2009 Adjusted base budget	\$64,181,114	
Governor's unallotment (actual)	<u>(\$892,382)</u>	1.39%
FY 2009 Ending base budget	\$63,288,732	

Cumulative base change (\$1,533,559) 2.37%

FY 2010 Base Budget (AY 2009-10)

FY 2009 Ending base budget	\$63,288,732	
Projected structural deficit	<u>(\$2,655,037)</u>	4.20%
Adjusted base budget	\$60,633,695	
Projected state appropriation reduction	<u>(\$5,013,500)</u>	8.27%
FY 2010 Original base budget	\$55,620,195	

Cumulative base change (\$9,202,096) 14.20%

FY 2011 Base Budget (AY 2010-11)

FY 2011 Original base budget ** \$55,620,195

** FY 2011 base budget is not adjusted for inflation or potential changes in enrollment

Cumulative base change (\$9,202,096) 14.20%

Budget and Planning for 2009 through 2011
President's Briefing DRAFT
January 9, 2009

Overview

Since my last budget briefing in September, much has happened. The state of Minnesota has had a revenue shortfall, which was magnified by challenges in the national economy. We have had a mid-year base budget cut (i.e., unallotment). Due to the state's revenue shortfall, we are anticipating a substantial base budget cut for the biennium beginning in 2010. These cuts come on top of our existing structural deficit, which we have discussed in September (http://www.mnstate.edu/president/Speeches/budget_and_planning_presentations/index.htm). The Trustees have announced their intent to keep tuition increases relatively low, thus limiting the use of tuition revenue to compensate for base cuts.

At this point, we are looking at a probable base budget cut of at least 14.2% over the next few years. This figure includes a decrease in the current year's revenue due to a slight full year equivalent enrollment decline (1%), the recent unallotment (1.39%), the structural deficit (adjusted lower by decreases in health insurance and energy costs; 4.2%), and the biennial budget reduction (8.27%). The resultant budget at the end of 2011 will be approximately \$9.2 million less than it was at the beginning of 2009. We will go from \$64.8 million currently to \$55.6 million.

Maintaining enrollment has become an increased challenge. We have seen a decrease in the traditional-aged college population in our region coupled with increased regional competition.

Amidst these budget challenges, we must remember that we have a great university. We have made good progress on our identity and vision; articulated our points of pride (<http://www.mnstate.edu/pointsofpride/>); and increased our local and regional visibility. Proudly, we offer our students a private quality education at a public university. With the current economic challenges of the nation, what we offer is more important than ever. As a community, we will work together to bring our university through these economically challenging times.

Principles

The magnitude of the required base cuts means that we will need to stop doing some things and do others differently or more efficiently. As we evolve to this new level of operation, we will need to keep in mind the following three guiding principles.

- We are an educational institution. Therefore, our primary priority must be service to our students. They must continue to receive a high quality education without any extension of their time to degree.
- We must care for our people. Our new level of operation will have fewer employees. We hope to accomplish this reduction in level by attrition. If that is not sufficient, we will work with the bargaining units to try to lessen the personal impact of any cuts.
- We are a community and will continue to work together in transparency and collaboration. Monthly meetings with bargaining units will continue as will periodic town meetings. Members of the Cabinet and I welcome questions and concerns at any time.

A Word about Base Budgets

A base budget cut means an ongoing reduction of the overall size of the university budget. As we have discussed previously, our base budget comes from the state appropriation along with tuition and fee revenue. The state appropriation is distributed according to a formula that relates to our

relative share of the system's enrollment as well as our own patterns of performance and expenditures. Our share of the appropriation is decreasing because enrollment throughout the state has increased while our enrollment has decreased slightly.

Although we continue efforts to increase revenue, we must decrease our base expenditures. This means that we must decrease ongoing personnel and operating expenses.

Plan

Following is my current plan for our budget challenge and future development. This plan will continue to evolve as I continue to work with the Cabinet, the bargaining unit leaders, and the Chancellor and his cabinet.

1. In the near term, we will decrease spending.
 - Early in the fall, we implemented a hiring freeze, with few, presidential approved, exceptions.
 - Recently, we added purchasing approvals required from vice presidents and deans.
 - Currently, we are reviewing the recommendations of the energy task force for additional savings.
2. We are working to increase revenue.
 - We have focused on marketing to increase enrollment as well as student support to increase retention. The proposed first year living-learning communities will help in both marketing and retention.
 - The summer session task force is working to increase net revenue.
 - The recommendations of the tuition and fee structure task force, if adopted, will help to increase revenue while also decreasing total student debt load.
3. The vision task force is making good progress. We will have a vision statement along with a revised or reaffirmed mission statement before the end of the current semester. These statements will lay the foundation for strategic planning during the coming year.
4. We will examine longer term strategies for decreasing base spending.
 - I will work with the bargaining units and the Cabinet to explore various ways to reduce personnel costs through early retirement incentives for base reduction and furloughs for short term savings.
5. Even as we cut budgets, we must strategically invest in our future. To do this, we must carefully review all of our programs and develop clear and transparent processes for future investments.
 - Working with the Cabinet, bargaining unit leaders, and the campus community, we will develop a plan for review of all academic and non-academic programs (see e.g., Dickeson, 1999). The information from this review will be used in the strategic planning process. It will also inform the annual prioritization of potential ongoing expenditures. If we have not achieved sufficient base reduction through the above measures, we will also work with the bargaining units and campus community to use this information to guide program reduction.
 - We will work together to develop processes for involving bargaining units in making recommendations for prioritization of potential ongoing expenditures within their units. Such work has already begun with the Faculty Association.