

Memo

To: Executive Committees of AFSCME, MAPE, MMA, and MSUAASF

From: Edna Mora Szymanski, President

Date: May 8, 2009

Re: Budget Challenges and Layoffs

I regret to inform you that despite our best efforts to avoid this eventuality, the University will need to retrench tenured faculty and layoff staff in order to address our budget deficits. I doubt that this news will come as a surprise to you, given the extensive conversations that have occurred on campus concerning the serious nature of our budget situation. Still, I recognize the gravity of this announcement and that this news cannot be welcome. I have and will continue to consult with the Chancellor and his staff regarding this most serious of decisions.

Let me briefly recap some of our prior actions and discussions. Early this academic year, we instituted a hiring freeze due to a budget deficit and called a town meeting on September 24 to discuss the unfolding fiscal challenges. In September, we started meeting periodically with bargaining unit leaders to discuss the budget. Town meetings were held in January, February, March, and April to discuss the budget and plans to address our deficit. A campus wide review of all academic, administrative, and student support programs was completed, and the information is being used to strategically plan our reductions in ways that will preserve the vitality of our university. In the remainder of this memo, I will outline our current budget situation, review actions already taken to address the deficit, and present a schedule for the remainder of the process.

Current Budget Situation

The situation in which we find ourselves today is the result of a perfect storm. The two fronts that united were our own growing campus structural deficit and the recession caused state revenue shortfall and subsequent appropriation decrease.

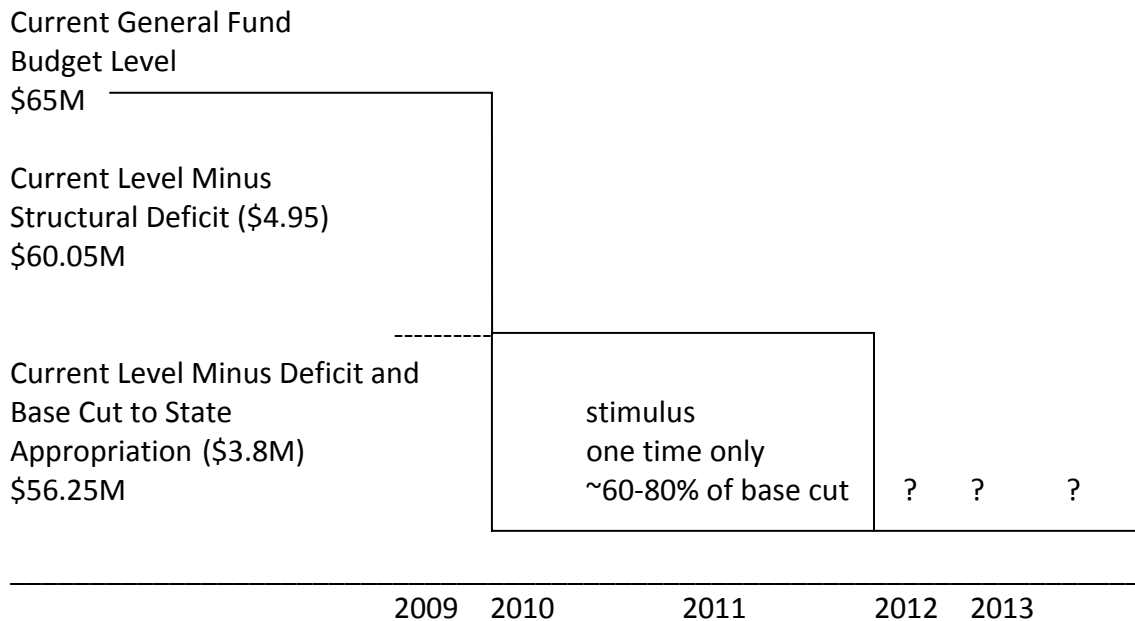
Since earlier presentations, we have learned that our tuition revenue shortfall exceeded the amount previously projected. The current shortfall is \$833,396, which is almost 3% of tuition revenue. Thus, this amount not only adds to our current deficit itself but also requires a downward change in the tuition revenue assumption underlying the previously projected 2010 budget. As a result, the current structural deficit, including tuition revenue shortfall and revised tuition revenue assumptions, is now \$4.95M. In addition to our own deficit, we expect a state appropriation decrease of approximately \$3.8M, with the exact amount depending on final action by the legislature. Thus, our total deficit is approximately \$8.75M.

Our structural deficit resulted from a number of different, yet intertwined, situations. Student credit hour generation has declined each year for the past five years resulting in a decrease in

our percent share of the state appropriation. At the same time our revenue was further limited by earlier decisions to hold tuition low and disincentives in our current tuition and fee structure. Meanwhile, fixed unit costs from compensation and utilities continued to rise during most of those years, and connections between resource allocation and revenue generation were too weak to promote fiscal stability. Finally, base budgets were not sufficiently reduced in keeping with the combination of declining revenue and increasing fixed expenses thus resulting in a structural deficit. At this point, I can tell you that I understand how the structural deficit occurred, and that I will assure it does not happen again.

It will take us at least a few years to recover from our current challenges on the state appropriation front of the storm. Tax revenue funds state appropriations. Thus, if the economy recovers in Year 1, the tax revenue rebounds in Year 2, and the appropriation would hopefully catch up in Year 3. The most recent state economic forecast suggests both a slow recovery and a potential additional problem for the 2012 – 2013 biennium. See <http://www.mmb.state.mn.us/doc/fu/09/summary-feb09.pdf> .

The following illustration, which is definitely not to scale, illustrates our situation and the use of one-time stimulus money.



For more specific information on the trends that contributed to the structural deficit, I have attached Appendix A showing trends in enrollment and credit generation over the last five years and Appendix B dealing with the history of decreasing enrollment and appropriation share.

Actions Already Taken or Underway to Address the Deficit

Following are some actions already taken or underway that will address the deficit:

- If all compensation programs settle at 0% salary increase, that will remove \$1.2M from the deficit.
- Currently, we are holding \$1.34M in frozen positions. These positions are eliminated at this time. However, some will need to be replaced since they are in critical areas. So it is expected that this savings is no more than \$.7M. (Appendix C)
- The following additional base cuts have been taken thus far
 - Operating \$.15
 - Fuel and Utilities \$.3
 - Scholarships \$.3
(moved to another source)
 - MSUM work plan initiatives \$.55
 - Rents \$.15
 - Miscellaneous other \$.03
- If the revised tuition and fee structure is approved it, coupled with a tuition increase, could net us \$1M to \$2M. This is purposefully an underestimate considering our problematic enrollment history.

Although I listed the unallotment in previous presentations, I do not list it now. In reviewing our cuts, I have determined that many were one-time rather than base. Thus, they do not contribute to the necessary base reduction.

I should note that some hiring is continuing in the revenue fund areas and in positions related to growing enrollment and better managing our resources. Specifically, we are in the process of searching for a housing director and an area coordinator. These positions are supported by increases in student fees and do not impact the general fund. We are searching for a marketing director to help us better market the university and attract students. In addition, pending further work on enrollment management with Noel Levitz, we will search for an additional Twin Cities area recruiter. We will also add 1 FTE in the area of data management to support both enrollment management and better resource monitoring, and we are looking into a webmaster for marketing and enrollment management. The latter positions will be supported by the general fund. However, it is my intention to ask for support from the Chancellor's Office for the first two years of those positions.

Although I had hoped to have more specifics by this time, the following key data points are still up in the air and will be needed to determine the exact extent of our required retrenchment and layoffs.

- The budgetary savings resulting from early separation incentives and other resignations
- The status of Board of Trustee approval of our tuition and fee structure proposal as well as the Board approved rate of tuition increase (July 2009)
- The final numbers on the portion of our deficit resulting from the state appropriation (late May 2009)
- Specific guidelines on use of federal stimulus dollars
- The impact, if any, of legislatively approved severance incentives

At this point, it is clear that we will need some layoffs in order to balance the budget. The actual amount will be determined by the above variables. We plan to continue to examine cuts and formulate plans throughout the months of June and July. We will again ask the assistance of the Academic Affairs Budget Advisory Committee (AABAC) and the University Planning and Budget Committee in providing feedback to our intended budget plans.

Schedule for the Remainder of the Process

Following is a tentative schedule for the remainder of the process:

April 20

- Deans are asked to work with chairs of departments that have average cost recovery ratios below 75% or have programs with such ratios to prepare proposals to move to a 75% cost recovery ratio immediately through budget cuts and to move to an 85% ratio within a year using a combination of budget cuts and increased tuition revenue. Deans are also asked to work with chairs on proposals for frozen positions or those impacted by early separation incentives or other resignations to be considered by AABAC in September, noting that only a portion of such positions will be authorized for search and that portion will be determined by actual revenue.

May 15

- Reports due from deans and chairs on proposals to increase cost recovery of selected programs and departments.

May 15-June 2

- Reports reviewed by VP, Budget Officer, President, and Comptroller with questions and concerns sent to deans.

May 21 & 26

- AABAC meets for up to 2 days with President, Budget Officer, and Comptroller to hear presentations from deans and chairs.

June 24

- President and VP present draft budget reduction plan to AABAC for discussion and feedback.

July 8 & 9

- VPs present division budgets and cuts to UPBC for discussion and feedback.

July 15

- President presents final budget for the university to UPBC.

July 16 AM

- President and UPBC present university final budget to executive committees of bargaining units.

July 16 PM

- President meets and confers with IFO on retrenchment.

July 17

- President meets and confers with other bargaining units.

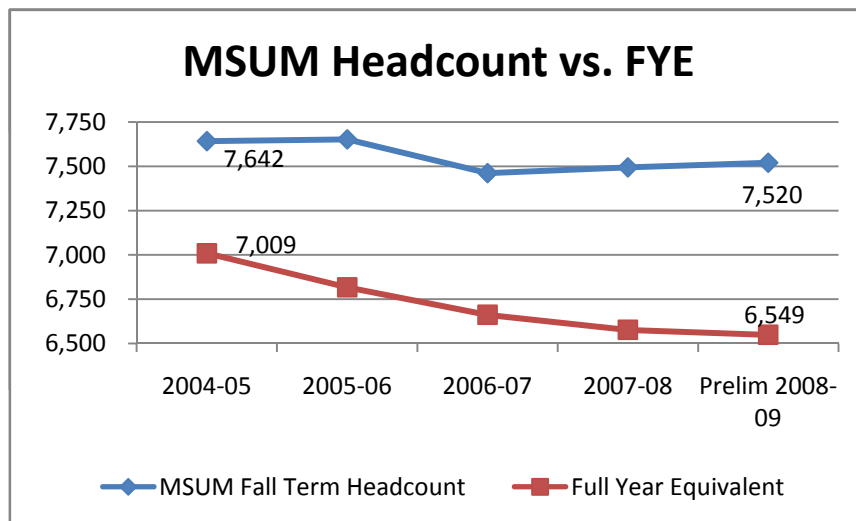
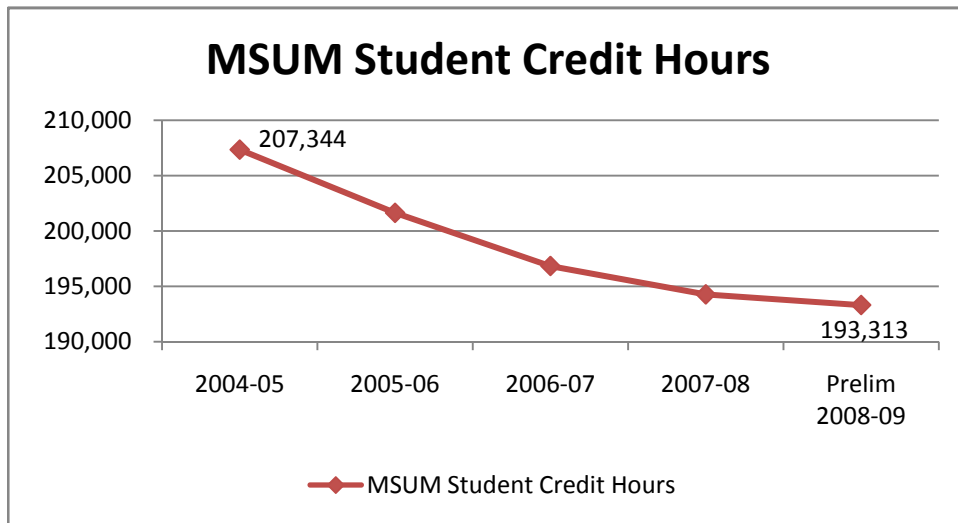
July 23-29

- Layoff notices sent out.

Appendix A

MSU Moorhead
Headcount, Student Credit Hours, FYE
FYs 2005 - 2009 (preliminary)

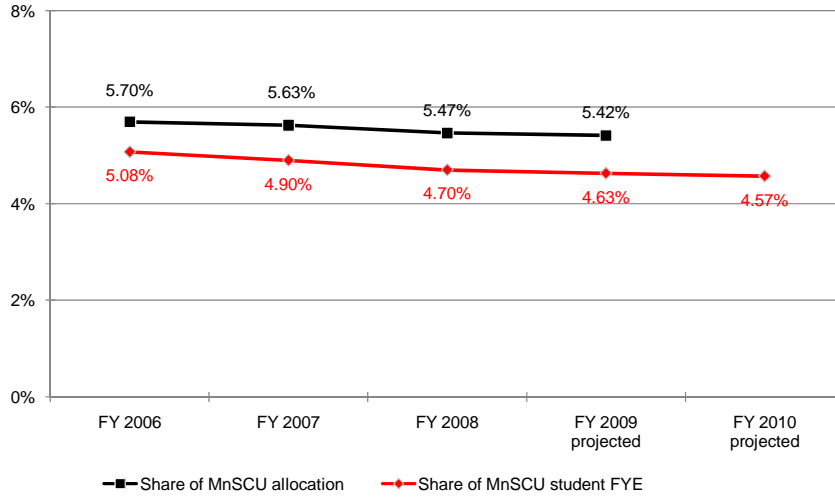
| | Fiscal Year | | | | |
|-----------------------------|-------------|---------|---------|---------|----------------|
| | 2004-05 | 2005-06 | 2006-07 | 2007-08 | Prelim 2008-09 |
| Fall Term Headcount | 7,642 | 7,652 | 7,461 | 7,494 | 7,520 |
| Student Credit Hours | 207,344 | 201,635 | 196,835 | 194,277 | 193,313 |
| Full Year Equivalent | 7,009 | 6,817 | 6,662 | 6,577 | 6,549 |



Appendix B



MSUM Percentage Share of MnSCU Student Full-Year Equivalent (FYE) and Allocation



Appendix C
MSU Moorhead
List of Frozen Positions

| Division | Department | Job Title | Barg Unit | FTE |
|--|------------------------------|-----------------------|------------------|------------------|
| Office of the President | President's Office | Asst to the President | 220 | 0.41 |
| Academic Affairs | Academic Affairs | OAS Senior | 206 | 1.00 |
| Academic Affairs | Art & Design | OAS | 206 | 0.50 |
| Academic Affairs | English | Faculty | 209 | 1.00 |
| Academic Affairs | Dean Business & Industry | OAS Intermediate | 206 | 0.49 |
| Academic Affairs | EECE | Faculty | 209 | 1.00 |
| Academic Affairs | Education | Faculty | 209 | 1.00 |
| Academic Affairs | HPE | Faculty | 209 | 1.00 |
| Academic Affairs | Nursing | Faculty | 209 | 1.00 |
| Academic Affairs | Nursing | Academic Advisor | 211 | 1.00 |
| Academic Affairs | Social Work | Faculty | 209 | 1.00 |
| Academic Affairs | Social Work | Faculty | 209 | 1.00 |
| Academic Affairs | SLHS | OAS | 206 | 0.60 |
| Academic Affairs | SLHS | Faculty | 209 | 1.00 |
| Academic Affairs | AMS | Faculty | 209 | 1.00 |
| Academic Affairs | Biosciences | Faculty | 209 | 1.00 |
| Facilities & Administration | Building Services | GMW | 203 | 1.00 |
| Facilities & Administration | Building Services | GMW | 203 | 1.00 |
| Facilities & Administration | Building Services | GMW | 203 | 1.00 |
| Facilities & Administration | Building Services | GMW | 203 | 0.77 |
| Facilities & Administration | General Repair | Welder | 202 | 1.00 |
| Facilities & Administration | Security | OAS Senior | 206 | 1.00 |
| Student Affairs | Counseling & Career Services | Director | 211 | 1.00 |
| Student Affairs | Multicultural Affairs | Director of Diversity | 211 | 1.00 |
| | | | | 21.77 |
| FY 2009 Total Compensation (Base) | | | \$ | 287,109 |
| FY 2010 Total Compensation (Base) | | | \$ | 1,340,164 |