

Minnesota State University Moorhead
State of the University: President's Special Briefing
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Public universities must be fiscally sustainable in the face of declining state appropriations. Fiscal sustainability results from budget planning policies and procedures that assure current revenues are used both to support today's mission driven activity and to produce sufficient new revenue to grow and improve mission achievement into the future. (See Burnside, 2005, for an example from global economies.)

Sound business practices are necessary for long term sustainability. We are proud to report that our budget is both balanced and sustainable. In this briefing we will illustrate some of Jim Collins (2005) principles from "Good to Great and the Social Sector" as we discuss our journey to sustainability and our focus on student success.

Journey to Sustainability

Enduring great institutions practice the principle of Preserve the Core and Stimulate Progress . . . (Collins, 2005, p. 26)

Collins' principle has been a guiding force for Minnesota State University Moorhead (MSUM) as we planned to address reductions in state funding and achieve fiscal sustainability. In summarizing our journey, we discuss our recent budget history and key elements of our fiscal sustainability. More detailed information can be found at <http://www.mnstate.edu/president/Speeches/fiscal/sustainabilitybudgetbasics081211.pdf> .

Recent Budget History

Since Fall 2008, when our general fund budget was \$63.5M, we have addressed a structural deficit of \$4.95M, which resulted from expenses exceeding revenues, and we have weathered a decrease of approximately \$6M in our state appropriations. Currently, our state funding of \$23.1M is close to 1996 levels. At that time, state funding comprised 64% of our budget with tuition accounting for 36%. Today, the funding ratio is the exact opposite, with tuition and fees accounting for 64% of our general fund revenue. Residence halls and food service are considered separately and are fully self-supported.

To achieve a balanced budget, we reduced expenses, increased revenue, and increased both efficiency and return on investment. We used federal stimulus dollars to reduce our personnel costs through early separation incentives thus minimizing layoffs and preserving our high quality and productive academic programs (i.e., our core). In addition, we improved our return on investment in our academic programs, phased out some unproductive ones, reorganized where possible to improve efficiency, and innovated to significantly reduce energy costs. In essence, we preserved our core while stimulating progress.

Key Elements for Our Fiscal Sustainability

Our university has a relatively closed system with two major sources of revenue, tuition and state funding, and two major sources of expense, personnel and other operating costs. To

remain sustainable and grow, we must increase revenue and return on investment, anticipate and mitigate the impact of increased costs, and continue to connect resource allocation with revenue generation and efficiency.

Given that tuition is our primary revenue, we have developed a strong focus on student recruitment and retention. Marketing is a significant element of that focus. We have expanded our efforts in this area and continue to refine our activities in this highly competitive market.

In addition, we have increased the return on investment of tuition dollars. The cost recovery rate (tuition revenue divided by instructional costs) has risen from 98% to 126% over the last three years. This enabled us to not only fund instruction but also support infrastructure and stimulate program improvement. A reasonable goal that also maintains quality is an average return of 120%.

Over the coming decade, we expect continued decrease in state funding. This will need to be offset by some increase in tuition volume (i.e., enrollment) and/or rate. We plan to increase enrollment gradually from our current average of 7,500 to 8,000 students. However, increases beyond that would dilute our brand of faculty-student engaged learning. Fortunately, however, we can bear some rate increase, because our tuition and fees compare favorably with our peers. For example, tuition and fees at Minnesota State University Moorhead (MSUM) are \$6,937 in comparison to \$7,457 at NDSU, \$7,203 at Winona, and \$7,300 at Bemidji. Although St. Cloud State and Mankato are slightly less expensive than MSUM, they are twice the size and benefit from economies of scale.

Like many other public institutions, personnel costs comprise 80% of our budget, and we expect increases. Compensation rates are negotiated with bargaining units at the System and state level. In order to remain sustainable, we must plan well in advance of settlements. To maintain a balanced budget, increases in compensation must be matched by increases in revenue and/or decreases in expenses. At our current rates and without significant increases in state funding, a 1% compensation increase must be accompanied by approximately a 1.25% tuition increase and/or some decrease in other expenses. Given our current leanness, it would be difficult to further reduce expenses without a significant decrease in program quality. We consider anticipated compensation changes when requesting changes in tuition.

Finally, we have developed a number of systems to connect resource allocation with quality as well as with revenue generation and efficiency. For example, two campus committees comprised of administrators and union representatives review all proposed hires for program quality, return on investment, and efficiency. They then make recommendations to the president.

Focus on Student Success

Our products are our graduates. Student success is our driving force, our reason for existence. In the following paragraphs, we describe our focus on student success through discussion of

faculty-student engaged learning, high quality academic programs, and initiatives to improve outcomes.

Faculty-Student Engaged Learning

In his 2005 monograph, “Good to Great and the Social Sectors”, Jim Collins described the hedgehog concept in great organizations as the intersection of “1) what you are deeply passionate about, 2) what you can be the best in the world at, and 3) what best drives your economic engine (p. 17)”. Our hedgehog concept is faculty-student engaged learning.

There is no question that our faculty and staff are deeply passionate about engaging students in learning. It is that very essence that has drawn many to the university. This passion is further exemplified by the recognition of eight faculty as state Carnegie Foundation Professors of the Year and one as a national Carnegies Professor of the Year. No other university in the state or the region has as many recognized faculty members. Further, our students tell us that they come here because of our faculty, and our alumni continually recount stories of faculty who have transformed their lives.

Evidence suggests that we are better than many of our peers in faculty-student engaged learning. On the National Survey of Student Engagement, our seniors rated MSUM significantly higher than the average of our System peers and other regional peer universities in both *student-faculty interaction* and *supportive campus environment*.

Finally, as we have explained earlier, tuition is the primary driver of our economic engine. Thus, faculty-student engaged learning is not only our essence but our revenue driver.

High Quality Academic Programs

Each year, we celebrate our graduates with the publication, “Great Grads” (see <http://www.mnstate.edu/president/GreatGrads.pdf>), which shows evidence of our high quality academic programs through our graduates. Following are some programmatic examples.

- Our Accounting and Finance students typically score in the top 5% in the national ETS major field test in business.
- Over 50 MSUM alumni have been named Teacher of the Year in their state or district.
- We have high levels of acceptance to graduate and professional schools, including 90% to medical school and approximately 85% to other professional and graduate schools.
- Our Mass Communication students consistently win prestigious regional and national competitions.
- Our model UN team of 24 students won 90% of the awards at the Arrowhead Model UN conference for the region.
- MSUM teams won three of the seven major awards at the Eau Claire Jazz Festival.
- Our Public Relations Student Society won second place in a national competition. LSU won first, and Penn State was third.

Initiatives to Improve Outcomes

Our products are graduates who contribute to the state, regional, and national economy. Therefore, we work to increase the percentage of entering students who complete their degrees, the speed of their degree completion, and the quality of their preparation. Following are some examples of our efforts to improve outcomes.

- The faculty and deans are working together on a Task Force on Retention and Graduation Rate Improvement, which has studied national best practices, investigated institutional performance, and resulted in improved practices.
- We implemented a banded tuition model, which encourages students to complete their programs sooner and hopefully with less debt.
- We closed the Corrick Center, which served at-risk students, because data suggested that only 24% of their students completed degrees. We carefully scrutinize applications, referring to community colleges those students who are not yet prepared to succeed at the university. Fortunately, because we adhere to the state transfer curriculum, such students can transfer here later after successful completion of initial coursework.
- Through our new University College, we are employing more research-based best practices to support the success of all students.
- Following a model at other state universities, we have created an Office of Institutional Effectiveness, to support data-informed processes to improve student success.
- Our faculty groups have worked together to create a new liberal arts and sciences curriculum that is better connected with the state transfer curriculum, thus facilitating transfer student success as well as improving overall general education.
- Our college and program advisory committees connect employers with faculty in order to keep curricula current.
- Working with the Greater Fargo Moorhead Economic Development Corporation (GFMEDC), we have met with area employers, grouped by industry sector, to learn how our programs can better meet their current and future needs.
- Working with the GFMEDC and with Tri-College, we have started a vaccinology minor to support growth of the pharmaceutical industry in the region.
- We are increasing our connection with business and industry through a CEO roundtable.

References

- Burnside, C. (Ed.). (2005). *Fiscal sustainability in theory and practice*. Washington, DC: World Bank.
- Collins, J. (2005). *Good to great and the social sectors: a Monograph to accompany good to great*. New York: HarperCollins.