Planning Guidelines

- Plan for a four year rather than two year cycle. Note that this is necessary because the stimulus funds are only one time funds and cannot be used to sustain base operations.
- Use stimulus dollars for only one time costs.
- Balance the budget.
- Note that the President takes full responsibility for this budget planning process. She has consulted with the Vice Chancellor and others to assure the soundness of the plan.

Other Considerations

- MSUM has had declining student credit hour production for over 5 years. This translates to declining tuition revenue and a declining share of the state appropriation.
- Over the last 5 years, we built up a structural deficit that resulted from declining tuition revenue and actual expenditures exceeding actual revenue. As a result, we have needed to cut each year. This is not sustainable. The total of our current structural deficit and tuition revenue shortfall is $4.2M. It may increase once we calculate this year’s tuition revenue shortfall. More conservative projections should keep this from happening in the future.
- 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.

This Year and the Next Four Years (Definitely Not To Scale)

Plan (From April 7 Town Meeting)

As we discussed in our town meeting on March 11, (see http://web.mnstate.edu/president/Speeches/budget_and_planning_presentations/3_11_2009_budgetpresentation.htm)
Current Estimated Total Deficit $8.2 – $9.2M

- Structural Deficit and Tuition Revenue Shortfall $4.2M
- Estimated Reduction in Base Appropriation $4 –5M

Planned Base Budget Correction $8.2 - $9.2M

- Already Accomplished $4.89M
  (reductions, freezes, and proposed tuition and fee structure change)
- Changes in Compensation Plans up to $1M
- Remaining Cuts $3M-$4.3M
  - Early Separation Incentives $1M-$1.5M
  - Program Closures and Other Personnel Reductions $2.5M - $3M
  - Voluntary Salary Reductions $.2M - .5M

Use of Stimulus Dollars (one time)

- Early Separation Incentives
- Tails for Layoffs
- Targeted efforts to increase enrollment

**Building the Revenue Engine and Planning Forward**

Even as we decrease our infrastructure, we still must attend to our revenue engine. Increasing enrollment is critical and may be somewhat challenging given our recent media coverage of the flood. To that end, we are planning to invest in a marketing director as well as additional recruitment activities targeted to the Twin Cities metro area.

In the future, resource allocation will be much more closely associated with revenue generation, thus decreasing the probability of a structural deficit.

Stimulus money is likely to replace part of the decrease in state appropriation during the coming biennium. However, it is only one time and will not continue into the next biennium. Thus, cuts are still necessary. Fortunately, the stimulus can offset some of the tails on the reductions. Following is an explanation of our deficit and plan.