Preparing MSUM to Survive and Thrive in the New Normal Higher Education Landscape
Town Meeting
December 15, 2009

The major topic for today’s town meeting will be planning for the New Normal in Higher Education at MSUM. The New Normal is a term that refers to the post-recession challenges in higher education. For more information on the challenges of this unique time, we have posted two documents from the American Association of State Colleges and Universities on the Strategic Planning portion of our website at http://web.mnstate.edu/president/StrategicPlanning/StrategicPlanning.htm. Summing up the challenges, we have two competing points:

- The percentage of public funding of higher education in relation to tuition is decreasing steadily and will not return to pre-recession rates.
- Public higher education remains critical to the economic growth of states, regions, and nations.

Thus we are challenged to meet critical economic and societal needs with fewer resources.

Today’s topics will focus on the New Normal at MSUM and how we are preparing to survive and thrive. To that end, our topics are:

- MSUM Budget Context
- Assessing Current Preparedness for the New Normal
- Working Together to Increase Preparedness
- Focusing our Efforts with a New Strategic Plan and Annual Reporting Format

**MSUM Budget Context**

This past year, everyone worked together to reduce expenses and save jobs. It worked. We closed a 14% budget gap through a combination of reductions of expenses and increases in revenue.

More than half of our budget gap ($4.95M) came from a structural deficit resulting from our base budget commitments exceeding our revenues. The good news is that we have in place hiring controls that link spending to revenue and we have begun to invest in admissions and marketing to increase revenue. Thus, we should be able to avoid future structural deficits. The bad news is that the state appropriations continue to decrease necessitating continued decreases in base budget and increases in revenue. As we have discussed, plans are in place to address this challenge.

Last Fall (the start of FY 09), our state appropriation was $29,820,431, and it accounted for 48% of our overall general fund budget. This Fall, our appropriation was down 10.95% and accounted for only 41% of our general fund budget. The appropriation is expected to further decrease 1.77% for next Fall and then 15.33% by Fall of 2011. By that time, the appropriation will have fallen over 7.7M, and it will only account for 35% of our current general fund budget. It is quite possible that these decreases may be further complicated by rescissions or unallottments.

As a result of the decreases in appropriation, we must increase our revenue in order to maintain our programs. Tuition revenue now makes up more than half of our general fund budget, and its percentage is increasing.

Each student we enroll can be considered as a multi-year annuity. New entering freshmen give us much more than one year of income, or, as was the case with the drop in this year’s freshman class, multiple years of loss. This year’s class, which was recruited before the changes in admissions and before our new marketing efforts, was down 173 students from the previous year. The tuition revenue lost for just this year was $1,009,282. Considering retention and graduation rates, we will lose an additional
$1,917,929 over the next three years.

I have provided the tuition illustration for two reasons. First, our new investments in marketing and admissions are needed to assure that we can reverse these losses and gain 6% in overall enrollment by Fall 2011. Second, we know that once we get them to campus we are more likely to get them to enroll. Our programs are strong, our faculty and staff are outstanding; and our facilities are well maintained – even with considerable personnel shortages. Please know that the role you play in recruitment is most valuable.

Assessing Current Preparedness for the New Normal
Thanks to your hard work, we are further along than many other universities in our preparation for the new normal.

- We already have decreased our base budget through hiring freezes and applied our federal stimulus dollars to further base budget reduction through early retirement incentives and energy refits. In fact, we are being recognized by the City of Moorhead for the extent of our energy refits thus far.

- We have begun to rev up our revenue engine through investment in admissions and marketing. Initial data on applications suggest that this investment is working.

- We have reviewed all of our academic, support, and administrative programs. Programs with low cost recovery ratios are in the process of making necessary changes. Some reorganization has occurred in support programs. More is needed in both support and administrative programs.

- We have increased the focus on key indicators such as cost recovery ratios, retention rates, and graduation rates, and published these indicators on the web. The annual report format of the new strategic plan will continue and increase the emphasis on key indicators and transparency.

Working Together to Increase Preparedness
Although we have already accomplished much, and I know many of you are tired, we still have more work to prepare to not just survive but to thrive in the new normal.

- First, everything we do must build on the following principles
  - We must continue the focus on the quality of our educational programs while also assuring that these programs are cost efficient.
  - We must empower our employees while also holding them accountable.
  - Our efforts must be transparent and we must communicate regularly with the campus.

- If we stay on track, I believe we will have made most of the transition by the end of this summer.

- Although some units practice accountability and empowerment, others need some help in those areas. To that end, we have provided supervisory training and will continue efforts to promote effective communication, empowerment, and accountability throughout the campus.

- Because we will have fewer employees, we need to examine all of our structures and processes. We cannot do everything the same way with fewer people. Thus, we will need to reengineer our basic processes (e.g., business office, records and related data processes, campus activity scheduling, building and grounds maintenance). We may drop some activities and do others differently. Our staff and faculty will play a large part in the reorganization of our structures and
processes. Please know that we will provide opportunities for employees to learn new skills if their jobs change as part of this effort.

- We have arranged for the LEAN Center at Winona (http://www.winona.edu/lean/) to provide their facilitator certificate training on campus in January. These facilitators will work with teams of staff (e.g., the records office and IT staff) to examine key work processes (e.g., course scheduling, student registration) and determine how they might be streamlined. Please know that this effort is not limited to specific offices or units. Any unit or department may participate.

- Karen Mehnert-Meland has agreed to serve as in Interim AVP to coordinate this process reengineering across divisions. This is a temporary position to help us through the coming approximately 6 months. Please let her know if you would like to volunteer for training and if you have processes to recommend for examination.

- I have asked Interim HR Director Herb Trenz to examine all vice presidential portfolios and divisional structures and recommend changes as needed. If you have any suggestions or concerns, please feel free to contact Herb (trenz@mnstate.edu).

- We may end up with a few more administrators or possibly a few less. My goal is to have the structures to promote accountability, empowerment, quality, and fiscal sustainability so that we have a stable foundation on which to strategically invest for the future.

- Starting next week, I plan to hold office hours at least once a month and biweekly if possible. I invite you to visit with your suggestions and concerns. We will post the times through an official email notice.

We are a very strong university! We have high quality academic programs coupled with faculty and staff members who care about students and about their university community. Through your continued efforts, we will thrive in the new normal.

I know that this has been a difficult time for all of us. However, I do believe that by the end of summer, our processes and structures will have evolved and we will be able to strategically invest in our bright future.

**Focusing our Efforts with a New Strategic Plan and Annual Reporting Format**

As we noted in the official email, the strategic planning committee has worked all semester to refine a new strategic plan for the university. As required by our System, this plan aligns with both the MnSCU plan and our new mission and vision statements. It also features an annual action plan and will be accompanied by a public annual reporting process managed by the University Planning and Budget Committee. The three components of the plan (context, initiative and indicators, and 2010 action plan) along with the MnSCU plan can be found on our budget and planning webpage at http://web.mnstate.edu/president/StrategicPlanning/StrategicPlanning.htm.

At this time, we welcome any questions or suggestions. We hope to finalize the plan by February.