Topics

- Flood Planning (hopefully, just in case)
- Budget Planning Update
- Update on Changes, Etc.

Flood Planning (hopefully, just in case)

We hope that we will not have another flood this year. However, the city and the county have already begun meetings on flood planning. To that end, we have started our campus planning as described in the following bullets.

- Mike Parks will serve as incident commander once again. He will begin to assemble his emergency operations center (EOC), which will again include Mark Rice and Jeff Goebel among others. Our campus team won an award from the Chancellor’s Office for their handling of the 2009 flood. I expect that they will continue their excellent leadership to protect the campus and serve our community.

- The city has made many improvements to their infrastructure. Therefore, even if the flood is at the same level as last year, it is very unlikely that we would need to close the campus or the residence halls. Recall that the campus is on relatively high ground.

- We have asked the faculty association and the deans to work together with department chairs around continuity of instruction with the goal of losing no instructional content. Because we are starting early enough, faculty members have some additional flexibility in how they plan for the possibility of class cancellations or travel difficulties.

- MnSCU Board Policy 4.4 says that “cancellation of classes does not excuse any employee from work”. Thus, if faculty or staff members need to be absent from work, they will need to take leave.

- We will begin updates with the bargaining unit leaders on flood preparation with our regular meetings with leaders and executive committees as well as at meet and confer. If we have a major flood this spring, we will use the “official” email list, the e-2 campus emergency notification system, and our web page as our major means of keeping the campus updated on conditions and plans.

- The Chancellor’s office was most helpful in securing resources from throughout the system to help us last year. They are already working with Mike Parks this year to have back up resources from other campus at the ready.

- Last year’s flood was a stressful event for many members of our community. The thought of a flood this year has opened fresh wounds for some. Please know that it is perfectly normal to feel stressed under these circumstances. The feelings of uncertainty related to budget challenges and reorganization can compound these feelings. At this time, it is important for us to do what we do best as a community – support and care for each other. Faculty and staff should also know that counseling is available through EAP if needed.
Budget Planning Update

We know that some of you have been reading about layoffs at other MnSCU universities and wondering if we are next. The answer is no.

Let us start by reminding everyone that all the hard work we did together enabled us to address both our structural deficit and a significant reduction in state appropriation without layoffs last year. Some other universities are now doing the same things we did last year, for example, program reviews, hiring freezes, and early separation incentives. Further, our fiscally conservative approach to the current biennium and to 2012 enables us to continue to say, at this time, that with ongoing tight spending controls and hiring limitations, we do not foresee layoffs this year or next.

The budget planning effort that we underwent last year prepared MSUM for both fiscal years of the current biennium, FYs 2010 and 2011, including the Governor's $50M unallotment to MnSCU. The governor's supplemental budget recommendation released this week reduces MSUM's projected FY 2011 appropriation by approximately $.575M. We will handle this with continued spending controls and do not foresee any layoffs to address this reduction.

Last year's planning effort also put in place the ongoing strategies for addressing the state appropriation decline in the next biennium, FYs 2012 and 2013. I will repeat it here (in italics) and then provide an update on where we are and how we compare with other universities.

The 2012 Biennium (7/11 – 6/13) from August 17 presentation
Unfortunately, we are not out of the woods. At the present time, the state (http://www.mmb.state.mn.us) is forecasting a revenue shortfall of over $7B coming into the 2012 biennium. This will mean a cut in state appropriations for the Minnesota State Colleges and Universities System and, therefore, Minnesota State University Moorhead. The Chancellor's Office has advised campuses to begin planning for a cut in the 2012 biennium, and to anticipate a possible unallotment during the coming year. Based on our percentage of the system and past formulas, our early estimate is a campus cut of approximately $4M per year. We will continue to refine this estimate over the coming years.

As we mentioned in the July 28th town meeting, we are implementing a multi-faceted strategy to increase revenue, decrease base budget costs, and maintain or increase quality of service. Given our $4M estimate, initially, we expect to address the cut through:
• $2M increase in tuition revenue (6% increase in enrollment),
• $1M base budget cut, primarily from early separation incentives, and
• $.5M from increase summer session revenue
• $.5M of reserve each year as a bridge, if the economic forecast suggests recovery.

We expect this plan to evolve over the coming years. More specifics will be provided in the last section of this presentation on our goals for the coming year.

I have absolutely no doubt that this fine and caring community will work together to surmount the current budget challenges. We will enter the next biennium with a new fiscal model that promotes both prosperity and long-term fiscal stability.

(August 17, 2009)
Update on Planning for 2012 Biennium (February 18, 2010)

We are not out of the woods. However, at this time, we still do not expect layoffs. Based on the state’s deficit, we continue to forecast a possible further reduction of MSUM’s state allocation. The following factors influence both the reduction and our plan to close the resultant budget gap.

- The ultimate size of the state’s deficit as well as the extent to which the legislature and governor consider raising taxes will influence the eventual cut to the MnSCU system. How that cut translates to MSUM will depend on our share of the overall enrollment in the system. That share is shrinking due to significant growth in the metropolitan areas. Right now, we estimate a change in MSUM’s appropriation of anywhere from --$3.2 to --$6.5M.

- Enhanced contractual early separation incentives for MSUAASF and IFO helped us balance the budget for the current biennium. The Board Early Separation Incentive is part of the 2012 solution. As we will discuss later, we used one-time federal stimulus funds to pay for these incentives. So far, through 23 BESI's, we have achieved approximately $.6M savings in base budget. That number has already been adjusted to consider necessary replacement hires. So far, our energy savings initiatives have needed a decrease in expenditures of $.2M with more expected during the coming year.

- Part of our solution for 2012 depends on increased tuition revenue from increased enrollment. For a variety of reasons, including the possibility of another Spring flood, we cannot count on this revenue until the students are actually enrolled. The results of our new marketing and admissions approach are promising. However, we are normally recruiting high school sophomores, juniors, and seniors, as well as transfer students. Thus, it may take more than one year to see the full fruits of our new initiatives.

- Our new approach to summer school increased net revenue by approximately .5M last summer. We hope to increase net revenue even further this year.

Ongoing Strategies to Reduce Costs, Increase Revenue, and Promote Long-Term Fiscal Stability

As you know by what is happening across the country and the state, things could be much worse. For reference to state forecasts, I recommend periodic consultation of the state budget website at www.mmb.state.mn.us as well as www.minnesotabudgetbites.org. To provide the national picture of the post recession new normal in higher education, we have linked various reports from the American Association of State Colleges and Universities to our website at http://web.mnstate.edu/president/StrategicPlanning/StrategicPlanning.htm under key documents and links.

By working together as a community last year, we avoided layoffs. Those same actions continue with the expectation that we will not need layoffs coming into the 2012 biennium.

- We did not use one-time federal stimulus funds to bridge the declining appropriation. Rather, we limited hiring and increased spending controls thus decreasing our base budget. These limitations and controls continue.

- Other than tuition mitigation that was part of the Board of Trustees commitment to students in last year’s budget, we restricted our use of federal stimulus funds to expenses that decreased our future base budget costs, specifically early separation incentives and energy refits. Essentially, we used stimulus funds to buy down our base budget costs much in the same way as points buy down mortgage interest.
• As a result of the program review process, we achieved some savings and increased efficiencies. Current efforts such as LEAN and review of organizational structures, which build on the program review process, will achieve further savings and efficiencies.

• In order to move toward a fiscally sustainable infrastructure, we have tightened the connections between resource allocation and revenue generation. Specifically, we began and will continue a focus on cost recovery ratios and employee accountability along with continued focus on quality.

• In order to increase enrollment and thereby tuition revenue, which will become an ever increasing portion of our general budget, we have strategically invested in marketing and admissions.

Continued Conservative Spending
The picture of the 2012 biennium suggests that we must remain extremely conservative in our spending. To that end, we will continue to limit our expenditures.

• We will hire some employees in Physical Plant, Information Technology, Human Resources, and Athletics to plug severe gaps in our infrastructure that could compromise safety, efficiency, or long-term viability.

• Although we will continue to use one time funds for needed fixed term and adjunct faculty members, we will need to wait until both the 2012 budget and the enrollment pictures become clearer before hiring tenure track faculty.

Update on Changes, Etc.

Some Changes and Updates

• The transition team continues to review organizational charts and advise the president on possible changes. Suggestions for review should be directed to co-chairs Herb Trenz (trenz@mnstate.edu) or Randy Cagle (caglera@mnstate.edu). The next meeting of the transition team with union executive committees and student senators will be 10:00-11:30AM on February 24 in the CMU. This meeting will feature a budget presentation by Vice Chancellor Laura King.

• The new provost position will also carry the title senior vice president for academic affairs; both the academic affairs and student affairs divisions will report to the provost. However, there is still discussion about the possibility of a separate enrollment management position. The provost search committee expects to have the position posted by the end of February.

• Two dean searches are underway or getting underway, Arts and Humanities and Business and Industry.

• Nineteen facilitators completed the Educational Lean Facilitator Course. As you recall, Educational Lean focuses on processes, eliminating outdated practices, leveraging collective knowledge, finding the best way to provide services and education and redistributing resources. The Lean Advisory Committee is creating a form for project submission. Projects can be submitted by anyone on campus. We will provide a further update on E-News.

Some Context of Change
Every now and then, I hear that some people are not happy about our expansion in admissions and marketing while we are not hiring in most other areas. Thus, I thought some context would be helpful.

- First, we are still well below the national average of admissions recruiters per application, and our applications are actually still below the number desired for our ultimate enrollment. Thus, although we have been hiring, we need to continue our expansion.

- Second, our location presents some unique challenges among MnSCU institutions. Our neighboring state, ND, has a significant budget surplus. This comes into play in both enhanced state financial aid to North Dakota students and the ability of ND institutions to offer better scholarship packages or tuition waivers to Minnesota and other out of state students. At the same time, the population of traditional aged high school students in our region has been in significant decline. Taking these two factors together, we have some serious challenges. Our staff members need to work twice as hard as their counterparts at other schools to enroll each student.

Of course, I also hear those who think we are adding too many administrators. When we finish our transition, we will probably end up with a net increase of one or two senior administrative positions. Right now, we have one of the lowest percents of administrators of any 4-year MnSCU institution, and we are likely to remain in that position. Not that numbers are the whole story, but I do believe that we need some help to promote the accountability, empowerment, and enrollment growth we have discussed. As that enrollment growth kicks in, we will begin more long term hiring of faculty and staff.

Finally, let me remind everyone of the larger context of our challenges.

- Minnesota State University Moorhead is a truly excellent university, and we are working together to preserve it for future generations in the face of seriously declining resources and increasing local competition.

- What we do matters a great deal to our students and to our community.

- Thanks to the hard work of our faculty and staff, our students continue to excel.

- Our new publication *Exemplars of Excellence* features just a few examples of the important work of this university. If you do not have a copy, please feel free to stop by the President’s Office for one. We will publish similar pieces periodically and welcome suggestions for additional exemplars.