Budget and Planning Update  
President’s Briefing  
February 4, 2009

Current Budget Scenario
For the next few months, our final budget figures will remain uncertain. The governor’s budget, which appears based on the December economic forecast, would cause a $4M reduction each of the next two years. We expect that will be increased at least to $5M per year as a result of the March economic forecast and the worsening state and national economic situation. In addition, there is a good probability of a further reduction of this year’s budget through a rescission. These decreases will be applied on top of a structural deficit, the unallotment, and a tuition revenue shortfall. The result is a base budget cut of at least $8.2M - $9.2M or a 12.6-14.2% base budget cut.

Over the next few months, we will work on decreasing expenses and increasing revenue. The following table summarizes our current efforts.

<table>
<thead>
<tr>
<th>Financial Management Strategies</th>
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<tr>
<td><strong>Expense Reduction Base (ongoing)</strong></td>
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<tr>
<td>Reduction of operating and other program costs, including leases</td>
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<td>Frozen positions</td>
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<td>Identification of positions to be eliminated as a result of early separation incentives</td>
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<td>Where possible, reduction of faculty reassigned time and extended duty days</td>
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<td>Reduction of positions through program closures and layoffs</td>
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Outsourcing Study
We have completed a preliminary review of university programs for consideration for outsourcing. The three major factors considered were

- Minnesota statues and policies
- Potential base budget savings
- Maintaining quality services

As a result of this preliminary review, the following functions will be reviewed in more detail for potential outsourcing: health services, especially pharmacy services, motor pool, and postal and printing services. Division leaders will work with their units to assure transparency throughout the process.

Program Prioritization
Plans for the program prioritization process are underway. The initial plan can be found on the web under president’s budget and planning remarks. We look forward to feedback from the faculty association and other groups in order to improve the process.

Enrollment Management
In January, we had a review of our enrollment management strategies by the Noel-Levitz consulting firm. The review identified
some things we can do to improve our operations. To that end, we have asked Noel-Levitz to provide coaching services to help us improve enrollment management. We are confident that, by refining our approach, we can increase enrollment 2% by Fall 2010

**Timeline and Challenge for Budget**

By late this Spring, we must establish and firm-up our FY10 operating budget based on the best information available at that time. Because of the very significant financial challenges we face, we anticipate that we will need to budget for FY10 with approximately $8 million to 9.2 million less than the funding needed to sustain this year's (FY09) operating levels. We hope that the current efforts to cut operating expenses, raise revenue, and reduce staffing through early separation incentives will limit the amount of the reduction that must be accomplished through layoffs. We should have a better picture of the budget as well as our program prioritization by the end of April.

**What You Can Do**

To effectively deal with the challenges we all face, it is more important than ever for the university to concentrate on providing the high quality, student-centered education that is the core of our institution. Our continued success as an institution is tied to student success. Therefore, each of us should renew our dedication and efforts that will help to assure that students are successful and remain at MSUM all the way to graduation. Students must also, be assured that the current financial challenges that we all face will be successfully addressed and that it will not result in lengthening our student's time to graduation.

**The Inauguration and Need Based Financial Aid**

As you may recall, the purpose of the inauguration is to focus on the accomplishments of our faculty, staff, students, and alumni and to raise money for need-based financial aid. Most costs are paid from donations, including my own; and the proceeds of the gala will go to need-based scholarships. I remain hopeful that we can use this time to shine positive light on the university.