Fiscal sustainability results from budget planning policies and procedures that assure current revenues (e.g., tuition, state appropriation, donor dollars) are used not only to support today’s mission driven activity but also to produce sufficient new revenue to support mission achievement into the future. (See Burnside, 2005, for an example from global economies.)

In this discussion draft, we will begin a discussion of fiscal sustainability at Minnesota State University Moorhead. We hope to receive continued feedback on this working draft. To begin, we will address (a) the need for fiscal sustainability, (b) major concepts and strategies, (c) some possible activities, and (d) next steps.

The Need for Fiscal Sustainability
The majority of our general fund budget is comprised of tuition revenue and state appropriations. Following student consultation, the university recommends tuition rates for approval by the Minnesota State Colleges and Universities (MnSCU) Board of Trustees. In some recent years the Board or the legislature has either set maximum tuition increases or used new revenue sources (e.g., federal stimulus dollars) to buy down planned increases to a lower amount. State appropriation is apportioned through the MnSCU System allocation framework and is computed based upon a percent share. Computation of that share takes into account enrollment, programmatic comparisons, and national spending levels.

Appropriations for public higher education are decreasing in most states across the country (“State Cuts”, 2010). Given the current economy and the pressures of other state funding needs (e.g., prisons, health care, K-12 education), higher education is not likely to receive significant state funding increases in the foreseeable future (American Association of State Colleges and Universities, 2010). For specifics on Minnesota, see the economic forecasts at the Minnesota Management and Budget website (http://www.mmb.state.mn.us/).

Lost state revenue is not easily replaced by tuition increases for the following reasons. First, steep tuition increases impact access and affordability, thus conflicting with campus and system mission and values. Second, steep tuition increases can negatively impact enrollment, thus actually reducing revenue. Third, classically, in the public service sector, expenses increase faster than revenue. At our university, where personnel costs make up approximately 80% of the budget, this is especially true, although we work hard to hold down costs as much as possible.

Major Concepts and Strategies
Given the reality of the current fiscal situation, MSUM and other forward thinking universities must develop new business models that will enable fiscal sustainability into the future. The components of the proposed model are four fold. First, we must protect our brand (faculty-student engaged learning) and retain our mission focus. Fragmentation of focus or significant
dilution of brand can negatively impact long term sustainability. Second, we must focus on return on investment. This is a key area of fiscal sustainability that demands that we think of ourselves as a business. Subsidizing under enrolled programs for the long-term is not an option. Third, we must focus on efficiency in all areas. This means that we must benchmark our costs and products against comparable institutions. In addition, we must focus on continuous improvement of our processes in order to address efficiency, effectiveness, and improved customer service. In fact, benchmarking and improved efficiencies are among those indicators considered by Moody’s in assessing institutional financial health (Fain, 2010). Finally, we must develop new sources of revenue in order to better diversify our revenue sources.

**Mission Focused Protection of Brand**
Minnesota State University Moorhead’s brand is faculty-student engaged learning. This is evidenced by our record of more Carnegie Foundation state or national Professors of the Year than any other university in our system, state, or region. Additional evidence is our composite scores on the National Survey of Student Engagement, which are the highest in our system. This brand is clearly articulated in our mission statement.

During times of crisis, organizations can be tempted to stray beyond their brand in an effort to diversify revenue or to grow. Although we must diversify our revenue, straying beyond our mission and brand would put us at risk for decline (Collins, 2009).

**Return on Investment**
Universities are accountable to students who invest tuition dollars and to the state for taxpayer investment. All academic and student support programs must be continuously monitored for return on investment. Program quality, student success ratios, cost recovery ratio, and degree production are just a few of the metrics to be considered in evaluating an academic program’s return on investment.

Student support programs must be similarly evaluated. We need to develop a series of metrics for each program that enables us to measure the contribution of the program to recruitment, retention, graduation, and job or graduate school placement. Similarly, alumni efforts must be measured according to leveraged support and funds raised. The current return on investment analysis for foundation support required by our System address the funds raised component.

**Efficiency in All Areas**
The public is increasingly demanding both accountability and efficiency from public institutions. At the same time, our students, who are bearing the largest share of the institutional cost, have a right to hold us accountable for using each dollar as efficiently as possible. To that end, we must develop protocols for periodic benchmarking of each area’s costs against comparable peers. In addition, each area must regularly assess its own potential for improvement.

Technology can be used by universities for efficiency, improved customer service, and to add value (Byyny & Norris, 2010). Further, technology can enable shared services across campuses, thus increasing efficiency.
Diversity of Revenue Sources
With the popularity of the University of Phoenix and its competitors, universities are working to appeal to an increased variety of students while still preserving academic quality. At the same time, there are opportunities for increased partnerships with business and industry.

The challenge with diversifying revenue sources is that we must not stray from our mission or brand. To that end, the following are possibilities for exploration. First, we have expertise and there is a market for online completer programs that articulate with two year degrees. Current examples are Nursing and Operations Management. These and other similar programs should be examined for market potential and tuition pricing. Can we develop business plans to expand these programs and increase our net revenue? Second, we need to carefully review all the non-traditional programs we offer (e.g., customized training, continuing education, college for kids, sports camps, 4th of July celebration) to examine return on investment and contribution to the mission. Third, we must explore other sources that both improve revenue and contribute to mission. Examples might include additional research funding to enhance faculty-student engagement and community partnerships for services that also contribute to the mission.

Some Possible Activities
Fiscal sustainability can be considered both as an outcome and as a process. To that end, we recommend a two pronged approach.

First, we already know some needed short-term activities. Specifically, we should continue to develop and refine our return-on-investment metrics as well as protocols for efficiency benchmarking. In addition, we should develop business plans to grow those completer and master’s degree programs where there is a strong market demand, carefully review non-traditional programs, and further pursue selected research funding.

Second, we must tap the expertise of our campus for more in-depth and continued work towards a model of fiscal sustainability for MSUM. For example, a small task force comprised of faculty and administrators with special expertise could be charged to examine best practices and develop some long-term options for further campus consideration.

Next Steps
The concepts presented in this paper are meant to generate discussion on campus and with other interested stakeholders. We hope to refine our fiscal sustainability plans over the next few months and to move forward with processes that will help MSUM thrive in the coming decades. Please send your comments to President Edna Mora Szymanski at szymanski@mnstate.edu. We thank you in advance for your feedback and comments.
References