Minnesota State University Moorhead (MSUM) is a comprehensive university consistently serving around 7,400 students in northwest MN. Many of our students come from families that are not well off; 85% receive some financial aid assistance; and many are working while attending school full time.

We see ourselves as an important component of the economic development of the state and region. To that end, we have worked hard to preserve access and affordability. Our undergraduate annual tuition this year was a relatively low $5,948.

Our faculty and staff take pride in inspiring students to excel in life. That pride is demonstrated by our 2009 scores on the National Survey of Student Engagement, which are the highest in composite engagement of any system institution. Further, our seniors rated us higher than state and regional comparison groups; which include U of M Twin Cities, UND, and NDSU; on three of the five major indicators: student-faculty interaction, active and collaborative learning, and supportive campus environment.

During FY 2009, we addressed a significant structural deficit and planned for the recession caused appropriation decreases. Thus, we had a head start on preparation for the challenges of 2012. In the following paragraphs, we describe our current budget situation and planning along with our approach to future planning through the following topics:

(a) Situation and Action in Preparation for the FY 2010 – 2011 Biennium
(b) Preparations for 2012,
(c) Fiscal Sustainability, and
(d) Moving from "Good to Great"

**Situation and Action in Preparation for the FY 2010 – 2011 Biennium**

We closed a very significant budget gap by working together, and we did so without layoffs and with the loss of very few academic programs. Following is a summary of our budget challenge for the 2010 biennium and our solution.

- Our budget gap coming into the biennium was $9.07M (~14% of our general fund budget). Part of the gap came from the recession-caused decrease in state funding. However, $4.95M was a structural deficit resulting from the combination of declining revenue and increasing fixed expenses, coupled with limited connections between resource allocation and revenue generation and weak fiscal controls.

- We began regular meetings with bargaining unit leaders and frequent campus town hall meetings to help our community understand the changing budget picture and engage them in working to cut costs.

- We initiated hiring restrictions, which remain in place, increased the relationship between revenue generation and resource allocation, and tightened fiscal controls.

- With the involvement of our bargaining units, we completed a campus wide review of all academic, administrative, and support programs. The result was a phase out of 3 academic programs (an
accelerated bachelor’s in nursing, a master’s in community counseling, and a master’s in public human services and health administration) and the consolidation of some support and administrative functions. Consolidation and reorganization is still underway, with LEAN process reengineering playing a role. At the same time, we continue to monitor all of our academic programs for both quality and cost recovery ratios in order to promote fiscal sustainability.

- The bargaining units contributed $1.2M to the solution by settling for limited or no increases, and we are most grateful.

- We used our one-time federal stimulus funds to buy down our base costs through early separation incentives and energy refits. The current net decrease is $.6M for personnel costs and $.2M for energy costs. We expect continued decrease of energy costs with possible additional decreases in personnel costs.

- We focused on increased revenue through increased credit generation. Specifically, we removed disincentives in our tuition and fee structure, enhanced our summer offerings, and strengthened our marketing and recruitment efforts. Thus far, we have seen significant increases in student credit generation and thus in revenue, both in the academic year and in the summer session.

**Preparations for 2012**

We began preparation for the 2012 biennium as we planned for 2010. Although the exact magnitude of our decreased appropriation will not be known for some time, we are planning for a decrease of over $3.5M. To address this gap, we will continue to focus on increasing revenue and decreasing costs through

- working collaboratively with bargaining units and students,
- holding monthly town hall meetings and meetings with bargaining unit leaders,
- empowering employees while holding them accountable,
- using tight spending controls and strong relationships between resource allocation and revenue generation,
- maintaining hiring restrictions and using temporary employees to fill critical gaps until budget projections are more solid,
- continuing reductions of base budget through selective early separation incentives and continued energy refits,
- investing in increasing revenue (e.g., marketing, admissions recruiting, summer session enhancement).
- reengineering our business process for increased productivity and customer service through LEAN, and
- restructuring to promote increased efficiency and effectiveness.

Given the challenges of the post-recession new normal, we believe that we must plan long term strategies to assure that the campus endures and prospers in the face of decreasing state support and increasing competition for students and resources. To that end, our actions are guided by two major themes, fiscal sustainability and moving from "good to great".
**Fiscal Sustainability**

Put simply, sustainability is long term viability or endurance. Burnside (2009), in his handbook, *Fiscal Sustainability in Theory and Practice*, noted that "one role of fiscal sustainability analysis is to provide some indication as to whether or not a particular policy mix is sustainable" (p. 11). Following are some of our recent initiatives designed to increase fiscal sustainability through improved policies and practices.

- We have tightened our budgeting policies and processes to be more conservative in estimation of revenue and expenses, thus lessening the probability of structural deficits.

- We have initiated policies and processes to better connect resource allocation to revenue generation. For example, departmental cost recovery ratios are computed annually. Departments with relatively low cost recovery ratios are examined by the Academic Affairs Budget Advisory Committee and required to demonstrate improvement or face possible cuts. In addition, cost recovery ratios will be one of the factors considered in the prioritization of requests for resource allocation when funds become available. **Put simply, where possible and consistent with our mission, we work to allocate our resources in ways that preserve and increase our revenues.**

- We have increased both resources and accountability in the revenue producing areas of admissions, marketing, and the Alumni Foundation. It is still early, but we are gaining on those fronts and should see resultant increased revenue.

- Finally, and in keeping with how we used federal stimulus funding, we use one-time funds (e.g., portions of carry over dollars) to either increase revenue or reduce ongoing expenses. For example, summer session advertising increases revenue; remodeling that collocates similar services decreases support needs; and energy refits decrease long term energy costs.

**Moving from "Good to Great"**

According to Collins (2005) in Good to Great in the Social Sectors,

> *Enduring great institutions practice the principle of Preserve the Core and Stimulate Progress, separating core values and fundamental purpose (which should never change) from mere operating practices, cultural norms and business strategies (which endlessly adapt to a changing world).* (p. 26)

Key to Collins’s (2005) research on great organizations is what he refers to as the *hedgehog concept*, which he depicts as three intersecting circles that address:

1) what you are deeply passionate about,
2) what you can be the best in the world at, and
3) what best drives your economic engine. (p. 17)

Our new mission and vision statements, approved last year, clarify our core and address both the first and second aspects of the hedgehog concept. The mission captures our passion and our essence.

> *Minnesota State University Moorhead is a caring community promising all students the opportunity to discover their passions, the rigor to develop intellectually and the versatility to shape a changing world.*

Marketing, enrollment management, and fundraising, which have improved significantly in the last year, build on our mission to drive our economic engine; and our new strategic plan, which is aligned with the System plan, provides direction through the following four initiatives:
1. Offer competitive, high quality, rigorous academic programs and services that provide students the versatility to shape a changing world and support the state and regional economies.

2. Increase enrollment and student success, including underrepresented students. The number of enrolled students should reach 8,000 within the next five years with continued improvements in student success indicators.

3. Strengthen our relationships with key stakeholders, including alumni, other donors, neighborhood groups, and the business community.

4. Continue to develop infrastructures that are sustainable through difficult economic times as well as consistent with the caring community that is MSUM.

Significant progress has already been made in all areas, as noted by our quarterly web update at http://web.mnstate.edu/president/Speeches/quarterly_updates/2009-2010/update040110.htm.

*Note that part of this presentation was excerpted from the MSUM March 25 Town Hall meeting (http://web.mnstate.edu/president/Speeches/general_university_wide_meetings/3_25_2010.htm).*