Our Situation
Situated in the northwest portion of the state, we enrolled 7,520 students in Fall 2008 with a full time equivalent of 6407. Our current budget challenge is comprised of two parts: our own growing campus structural deficit, currently at $4.95M, and the recession-caused state revenue shortfall and subsequent appropriation decrease of approximately $4.1 to $4.6M.

Our institutional profile on page 94 of the Board Book shows negative enrollment growth and no projected growth. Expanding beyond the FY08-11 timeframe, it should be noted that our student credit hour generation has declined each year for the past five years resulting in a decrease in our percent share of the state appropriation. At the same time our revenue was further limited by earlier decisions to hold tuition low and disincentives in our current tuition and fee structure. Meanwhile, fixed unit costs from compensation and utilities continued to rise during most of those years, and connections between resource allocation and revenue generation were too weak to promote fiscal stability. Finally, base budgets were not sufficiently reduced in keeping with the combination of declining revenue and increasing fixed expenses, resulting in a structural deficit.

Our Plan for Stabilization and Recovery
Our approach to fiscal stabilization and recovery has been multifaceted. In the following paragraphs, I outline our strategies under the categories of communication and information gathering, budget reduction, improved fiscal processes, improved revenue generation, and planning for Fiscal Year 2012.

Communication and Information Gathering

- Starting in September, we began regular meetings with bargaining unit leaders and a series of regular town meetings to discuss budget issues with the campus community. These meetings, normally held at three times during a day to accommodate all day, evening, and night shifts, were well attended and accompanied by a web posting. (http://web.mnstate.edu/president/Speeches/budget_and_planning_presentations/indexnew.htm).
- We initiated a campus wide review of all academic, support, and administrative programs. Bargaining units were invited to appoint representatives to the divisional committees involved in these reviews.
- In addition, we initiated an energy task force and have already implemented some of their recommendations.
- To address part of the problem, we initiated a review of our tuition and fee structure through a multi-divisional task force including representation from the student senate and the faculty union.

Budget Reduction

- We initiated a hiring freeze in September, with presidential approval of exceptions that required
commitment of ongoing funds.

- We developed and are in the process of implementing a plan for early separation incentives, retrenchments, and layoffs. The plan uses the federal stimulus for the one-time costs of early separation incentives and layoffs, resolves the structural deficit, and uses information from the program review process to selectively eliminate or reduce programs and to remove duplication. The early separation incentives have enabled us to significantly reduce our base budget in a way that promotes reorganization for efficiency while also reducing the number of layoffs and potentially disruptive bumping.

- The settlements of the various bargaining unit contracts were of significant assistance in reducing our planned expenditures. We are most grateful.

- We will start FY 2010 with a balanced base budget rather than deferring cuts through the use of one-time funds. However, stimulus dollars will be used for one-time costs relating to early separation incentives and layoffs.

**Improved Fiscal Processes**

- With help from Chancellor's Office staff we developed a revised tuition and fee structure that removes some current disincentives. The proposed structure will convert some fees to tuition, spread fees over the first 12 credits, band tuition from 12-19 credits, and charge differential tuition for some programs. The proposal was overwhelmingly supported by the student senate, and is scheduled for Board review.

- We restructured our summer school schedule and process to significantly increase revenue while also better serving our students. As a result, summer enrollment is up significantly from last year. Additional revenue will be used to maintain student credit hour generation offsetting losses from frozen positions.

- We changed our fiscal processes to institute stronger spending controls, use more conservative revenue assumptions, and better connect resource allocation to revenue generation. Specifically, we will continue to examine academic programs for their cost recovery ratios; we will use credit generation and enrollment data as part of the process of prioritizing resource allocation; and, we will not hire ongoing positions without firm evidence of actual, ongoing revenue.

- One new committee, the Academic Affairs Budget Advisory Committee, is of particular significance in our new processes. This committee, which is comprised of deans and faculty appointed by the IFO, participated in the academic program review process as well as a special review of all programs with low cost recovery ratios. They will also advise the president on the priority of faculty positions to be filled when funds become available. Enrollment data trends as well as program quality will inform these discussions.

**Improved Revenue Generation**

- To address the enrollment issue, we enlisted consultants from Noel-Levitz for a focused review. They identified clear areas of concern and needed improvement. We are addressing those areas.

- We have added additional oversight to enrollment management.

- We are investing in the following positions specifically related to increasing enrollment: a marketing director, a webmaster for marketing, a Twin Cities recruiter, and increased FTE for data management related to enrollment management. It is expected that increased revenue
produced by these changes will more than offset these expenses at almost a 2:1 ratio by 2010 with more significant revenue increases each year thereafter.

Planning for Fiscal Year 2012

- Recent state economic forecasts suggest the potential for an additional cut in the state appropriation in fiscal year 2012.

- By balancing the base budget for 2010 and using stimulus funds only for one-time purposes, we have removed the deficit and decreased the budget challenges going forward to 2012.

- We are planning to increase enrollment and therefore tuition revenue by 2% by Fall 2010 and an additional 2-4% by Fall 2011.

- We are planning to maximize the University Reserve by Fall 2011 in order to provide bridge funding until the economy recovers and the state appropriation stabilizes.

- We plan to continue strong fiscal processes and controls in order to anticipate and avoid future deficits.