In today’s town meeting, we present material on the budget challenges along with a description of the plan for stabilization and recovery. More specific details on portions of the plan are available on recent budget and planning documents on this web site.

**The Situation**
The situation in which we find ourselves today is the result of a perfect storm. The two fronts that united were our own growing campus structural deficit, currently at $4.95M, and the recession-caused state revenue shortfall and subsequent appropriation decrease of approximately $3.8M.

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.

It will take us at least a few years to recover from the state appropriation front of the storm. Tax revenue funds state appropriations. Thus, if the economy recovers in Year 1, the tax revenue rebounds in Year 2, and the appropriation would hopefully catch up in Year 3. The most recent state economic forecast suggests both a slow recovery and a potential additional problem for the 2012 – 2013 biennium. See http://www.mmb.state.mn.us/doc/fu/09/summary-feb09.pdf.

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**This Year and the Next Four Years (Definitely Not To Scale)**

<table>
<thead>
<tr>
<th>Current General Fund Budget Level</th>
<th>$65M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Level Minus Structural Deficit ($4.95M)</td>
<td>$60.05M</td>
</tr>
<tr>
<td>Current Level Minus Deficit and Base Cut to State Appropriation ($3.8M)</td>
<td>$56.25M</td>
</tr>
</tbody>
</table>

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**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, 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.
• In addition, we charged 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 multidivisional task force including representation from the student senate and the faculty union.

Budget Reduction

• We initiated a hiring freeze.
• We developed and are in the process of implementing a plan for retrenchments and layoffs. The plan uses the federal stimulus for one-time costs from layoffs and separation incentives, resolves the structural deficit, and uses information from the program review process to selectively eliminate or reduce programs and to remove duplication.
• 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 layoffs and early separation incentives.

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, which was supported by the student senate, is scheduled for Board review.
• We restructured our summer school schedule and process to significantly increase revenue.
• 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.

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 one FTE for data management related to enrollment management.

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.