Thanks to the hard work of many of you, we have closed our budget gap without layoffs and are well on the road to preparing for the potential 2012 budget cuts. Yes, we are down 5% in personnel, which is 38.8 FTE or 43 positions. However, we have preserved the affordable excellence of MSUM’s education while also saving jobs. Further, by not using layoffs, we have retained flexibility and efficiency that would have been lost through bumping and other contractual restrictions, and we have avoided the costs of unemployment insurance.

The purpose of today’s town meeting is to provide an update on the 2010 biennium, which began this month, and to discuss preparations for the 2012 biennium. We will cover the following topics:

- The Balanced Budget for the 2010 Biennium
- The Board Early Separation Incentive
- The University’s Revenue Engine
- Program and Services Reviews and Reorganizations
- Preparation for the 2012 Biennium

The Balanced Budget for the 2010 Biennium
The projected budget gap for the 2010 biennium is $9.08M. As you recall, $4.95M of that resulted from our own structural deficit and the remainder resulted from the state revenue shortfall.

The state’s budget deficit continues to grow. Thus, we have learned recently of the possibility for another unallotment or a rescission in the coming year.

Given the nature of the current recession and its impact on the region, we chose to work as hard as possible to reduce layoffs. In the end, we were successful due to the hard work of many of you. You reduced expenses, increased efficiencies, and began the process of increasing revenue. I cannot tell you how very proud I am of this community for coming together to save jobs. I do not think any of us could have forecasted the tremendous success of your efforts.

After the 30 day enrollment numbers are in, I expect that we might have a very small amount of funds to replace a few critical positions. We plan to use the Academic Affairs Budget Advisory Committee to advise the prioritization for IFO positions and a similar committee, comprised of the other bargaining units, for non-faculty positions.

Unfortunately, given the forecast for cuts in 2012, it may be some time before many critical positions are replaced. We recognize and truly appreciate the hard work of so many staff and faculty under these difficult circumstances.

The Board Early Separation Incentive
Right now, there is a lot of confusion about the new Early Separation Incentive just approved by the Board of Trustees. Following is a quote from the Chancellor’s Office explaining this incentive.

“The purpose of this early separation incentive program is to give presidents and the chancellor tools to address the budget issues with targeted reductions. Unlike most early separation incentives offered to state employees, the use of this incentive is discretionary on the part of the president or Chancellor and is not an entitlement for all employees meeting general age and length of service requirements.”
In line with the Board's policy objectives, the university's implementation plan for the early incentive program is strategically focused to achieve budget savings. We regret that we are not able to offer this incentive to all employees who may have wished to utilize it, but hope all employees will understand that decisions were made with the goal of strengthening the university's future.

Following is a very brief explanation of how the incentive will work on campus.

- We will use federal stimulus and other one-time funds to cover the payments to individuals.

- We only have a limited amount of such funds. Thus, we will offer the incentive in four tiers, with the extent of each tier dependent on how many individuals took the incentive in the previous tiers. For example, if after Tier 1 has closed, enough money is available for Tier 2, we will authorize it. If not, we will be unable to offer the incentive beyond Tier 1. Similarly, opening Tier 3 will depend on funds available after Tier 2 closes, and so forth for the decision on Tier 4.

- Individuals in each tier will receive a letter indicating their eligibility and their incentive. They will then have 21 calendar days to respond. In some tiers, we may not have enough money for all potential takers. In those cases, the letter will indicate that a lottery may be used to determine who will receive the incentive. Note that the lottery is part of the System guidance we have received on the process.

- To be eligible, individuals must be at least 55 years of age and have a minimum of 5 years of service. The incentive will be 4% of salary for each year served up to a maximum of 100% for full time employees in AFSCME, MMA, and MAPE, and 90% for IFO. This will be in addition to any other contractually stipulated benefits. Payments will be made first to the health care savings accounts and then in cash according to specific agreements with each bargaining unit.

- We are not offering the incentive to MSUAASF. After a successful early separation incentive offering in the Spring, we cannot afford to lose any more MSUAASF employees.

- We have planned the following 4 tiers, although we may not reach the later tiers if there are many takers in the earlier ones:
  
  **Tier 1** AFSCME (only Office Administrative Specialist [general fund] and Customer Service Specialist), all MMA, and all MAPE.
  **Tier 2** Highly compensated IFO (> $72,182) in low cost recovery departments and all eligible non-college IFO.
  **Tier 3** IFO with annual base salaries of more than $96,960 in departments that are not low cost recovery.
  **Tier 4** IFO with annual base salaries from $90,000 to $96,959 in departments that are not low cost recovery.

*The University Revenue Engine*

As we will discuss in the planning for the 2012 biennium, we must increase our tuition revenue by at least 6% before Fall 2011 or we will face additional cuts.

We cannot accomplish this increase on the backs of our students with an extraordinary boost in tuition. Rather, we must accomplish it through increased enrollment. Specifically, we must achieve significant increases in new freshmen, new transfer students, and retention.

Using Fall 2008 as a base, our FTE, which is directly related to revenue, was 6,416.3. Each 1% increase is 64 FTEs and approximately $340,000. We need to increase our FTE by at least 6% or 384 student FTEs.
The two largest pieces of the university budget pie are tuition revenue and the appropriation. In the Fall of 2008, tuition revenue comprised 51% of our total budget, and the appropriation comprised 49%. As a result of the unallotments, the percent for tuition has increased while the percent for the appropriation has gone down.

Direct ways in which we increase our student FTE are

- Recruitment of new students
- Retention of current students
- Increased credit generation in departments.

Critical contributors to these direct actions are

- Increased marketing and visibility
- Increased availability of scholarship dollars
  - Each $1,000 scholarship that helps recruit a student who would otherwise not come to MSUM generates ~$4,500 per year in revenue per year. (30 credits of tuition is $5,948)
  - Banded tuition is a new tool. By encouraging students to take between 12 and 19 credits, we increase our FTE while also helping students to complete sooner with less debt.

Program Reviews and Reorganizations
Right now, we are in the midst of a few reorganizations, and I know there are some concerns. I will try to provide a context and summary of our current efforts.

First, to provide context, let me recall two of the four goals that I started with last year. They were

- Enhance enrollment and student success, including retention.
- Improve fund and friend raising.

Since those goals were first articulated, our structural deficit grew as did the state’s recession-caused revenue shortfall. Thus, our budget gap worsened.

MSUM is a wonderful institution, and I believe strongly that we must work hard to preserve the availability of this excellent education. Thus, rather than downsize the institution to meet the next budget gap, I have chosen to build revenue. To that end, I have been forced to move more quickly than I might have done otherwise to stimulate the revenue engine. To make the money we need, we must spend some money strategically and right now.

Second, I would like to thank everyone for their hard work in the review of programs and services. The reports have really helped guide our reorganizations.

Third, it will be 12-18 months before we are finished with these reorganizations. The new early separation incentive will provide additional opportunities for reorganization. Further, some units are just beginning to explore possible collaborations and consolidations.

Finally, the following is a list of some of the significant changes or reorganizations at this time:
In the Academic Affairs division, the master's programs in PHSHA and Community counseling will be phased out, admission to the DNP program will be suspended, and the 3 year accelerated BSN program will be phased out to enable production of more BSNs through the BSN completer degree. We will continue annual reviews by the Academic Affairs Budget Advisory Committee of all departments and programs with low cost recovery ratios.

The Alumni Foundation has asked Gina Monson to move over to a vacant fundraising position, which will specifically address mobilizing recent alumni and increasing scholarship dollars. The Foundation will also take over the graduate survey.

The search for a Marketing Director is almost complete, and the search for a marketing web strategist is underway. The Marketing Director will report to the Alumni Foundation VP. The web strategist along with the printing and publications offices will report to the Marketing Director.

Doug Hamilton is taking on the role of Assistant to the President for Media and Community Relations, and will help us to continue to expand our regional visibility.

In Athletics, we are hiring an Assistant Director for Media and Public Relations.

In the Student Affairs Division, we have a number of changes or consolidations:

- The Supplemental Instruction and Academic Fitness Offices have moved from the Counseling Center to the Academic Resource Office in the Division of Academic Affairs.

- The Counseling Center now reports to the Hendrix Health Center.

We are forming a new Center for Student Support with the leadership position funded by MnSCU’s Access & Opportunity initiative. Units included in the Center will be Career Services, Disability Services, Multi-Cultural Affairs, TOCAR, Women’s Center, Student Support Services, and GLBT, and the Safe Zone. Greg Toutges is taking responsibility for Career Services as well as Disability Services and planning some special initiatives for undecided students.

AVP Diane Solinger will now supervise the enrollment management component of Student Affairs, which includes admissions, financial aid, housing, orientation and transitions, and international student services. (Note that international student services will also work with the Center for Student Support.)

- Heather Phillips has been hired as Director of Housing, and we are preparing to consult with students and others on our new Residential Life Master Plan, which can be funded through the revenue funds. Further, we are proud to note that we have four new living learning communities.

- Instructional Media is moving to the Information Technology unit.

- The Post Office will now be supervised by the Bookstore.

- A data practices group is working to coordinate data collection and use across divisions.

**Preparation for the 2012 Biennium**

Currently, the state forecasts a revenue shortfall of over $7B, including inflation, for the 2012 biennium. There is little chance that the majority of this shortfall will be made up with new revenue (e.g., new taxes). Therefore, it is likely that we will face some budget cuts in the 2012 biennium. To that end, and consistent with the recommendations of the Chancellor’s office to prepare for a potential cut, we are
implementing a multi-faceted strategy to increase revenue, decrease base budget costs, and maintain or increase quality of service. This strategy includes the following components:

- Increase revenues through increased effort and accountability in marketing, enrollment management, fundraising, and residential life with special attention to increasing new first time freshmen and new donors.
- Realize the benefits of the new tuition and fee structure.
- Continue improvements in the profitability of the summer session.
- Decrease base budget personnel costs through
  - stronger fiscal controls on hiring that directly restrict expenditures to levels consistent with current and predicted revenue,
  - early separation incentives coupled with replacement at a lower salary level and/or unit reorganization for efficiencies, which would be marked by fewer overall FTE and/or lower paid positions, and
  - continued reorganizations to take advantage of collocations or collaborations.
- Continue focus on efficiency of expenditures (e.g., department cost recovery ratios) and operating budgets.
- Increase the reserve to the maximum allowed by Minnesota State Colleges and Universities policy in order to assure a more stable operating environment during this time of economic uncertainty.
- Continue to implement assessment plans in academic units, and develop assessment plans for other divisions.

Although it is early to approximate, we think that our budget cut for the 2012 biennium could be in the $4M per year range. Given that estimate, we expect to address the cut through:

- $2M increase in tuition revenue (6% increase in enrollment)
- $1M base budget cut, primarily from early separation incentives
- $.5M from increased summer session revenue
- $.5M of reserve each year as a bridge if the economic forecast suggests recovery.

The above plan did not include bargaining unit settlements, which may require us to raise additional revenue. Please note, however, that all of the strategies we have discussed contribute to a stable fiscal model that will sustain the university through the 2012 biennium and poise us to thrive over the coming years.

At this time, I would like to thank everyone for their hard work that made today’s outcome possible. Given the size of our budget gap, we have achieved a great feat together. We have preserved this wonderful place and managed to decrease our budget without layoffs.

Because it is our collective hard work that sustains MSUM, I plan to continue regular town meetings as well as my monthly meetings with bargaining unit leaders. In the interim, please let me or any cabinet member know if you have concerns or suggestions.