Minnesota State Colleges and Universities System
Financial Overview

Presented to the House Higher Education Policy and Finance Committee
February 24, 2011
Financial health and compliance

- Board of Trustees holds colleges/universities accountable for financial performance
- Framework for on-going monitoring of financial condition at each college and university
- Defines required remediation if performance levels are not achieved
- Risk indicators focus on financial stability and healthy financial administration
Diversification of revenues

Total FY2010 System Revenues = $1,860 million

- Federal, state, private grants: $466.8 million (25.1%)
- Tuition and fees (net): $600.2 million (32.3%)
- Appropriation: $614.2 million (33.0%)
- Sales, room/board, restricted student payments (net): $156.1 million (8.4%)
- Interest income: $7.5 million (0.4%)
- Other income: $14.8 million (0.8%)

Note: Dollar values in graph are in millions.
## Revenue change

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>FY2005</th>
<th>% of Revenues</th>
<th>FY2010</th>
<th>% of Revenues</th>
<th>Average Annual Change (2005-2010)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriation</td>
<td>$546.4</td>
<td>39.5%</td>
<td>$614.2</td>
<td>33.0%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Tuition and fees (net)</td>
<td>$456.0</td>
<td>32.9%</td>
<td>$600.2</td>
<td>32.3%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Sales, room/board, restricted student payments (net)</td>
<td>$111.9</td>
<td>8.1%</td>
<td>$156.1</td>
<td>8.4%</td>
<td>7.9%</td>
</tr>
<tr>
<td>Federal, state, private grants</td>
<td>$242.7</td>
<td>17.5%</td>
<td>$466.8</td>
<td>25.1%</td>
<td>18.5%</td>
</tr>
<tr>
<td>Interest income</td>
<td>$7.2</td>
<td>0.5%</td>
<td>$7.5</td>
<td>0.4%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Other income</td>
<td>$19.8</td>
<td>1.4%</td>
<td>$14.8</td>
<td>0.8%</td>
<td>-5.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,384</td>
<td>100%</td>
<td>$1,860</td>
<td>100%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Revenue per FYE student</td>
<td>$10,214</td>
<td></td>
<td>$11,951</td>
<td></td>
<td>3.4%</td>
</tr>
<tr>
<td>FYE student enrollment</td>
<td>135,494</td>
<td></td>
<td>155,601</td>
<td></td>
<td>3.0%</td>
</tr>
</tbody>
</table>
Compensation large portion of expenses

Total FY2010 System Expenses = $1,803 million

- Compensation: $1,237.7 million (68.7%)
- Purchased services: $207.3 million (11.5%)
- Supplies: $92.2 million (5.1%)
- Repairs and maintenance: $34.8 million (1.9%)
- Depreciation: $88.4 million (4.9%)
- Financial aid, net: $65.3 million (3.6%)
- Other: $76.8 million (4.3%)

Note: Dollar values in graph are in millions.
Fiscal year 2010 expenses by functional category

- Instruction: $695.2 (38.6%)
- Academic support: $223.3 (12.4%)
- Institutional support: $203.0 (11.3%)
- Operation & maintenance of plant: $150.6 (8.4%)
- Public service: $19.3 (1.1%)
- Research: $11.6 (0.6%)
- Student services: $215.5 (12.0%)
- Auxiliary enterprises: $130.1 (7.2%)
- Depreciation: $88.4 (4.9%)
- Scholarships & fellowships: $65.5 (3.6%)

Note: Dollar values in graph are in millions.
## Expense change

<table>
<thead>
<tr>
<th>Reporting Category</th>
<th>FY2005</th>
<th>% of Expenses</th>
<th>FY2010</th>
<th>% of Expenses</th>
<th>Average Annual Change (2005-2010)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation</td>
<td>$954.1</td>
<td>68.4%</td>
<td>$1,237.7</td>
<td>68.7%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Purchased services</td>
<td>$157.3</td>
<td>11.3%</td>
<td>$207.3</td>
<td>11.5%</td>
<td>6.4%</td>
</tr>
<tr>
<td>Supplies</td>
<td>$77.6</td>
<td>5.6%</td>
<td>$92.2</td>
<td>5.1%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>$31.7</td>
<td>2.3%</td>
<td>$34.8</td>
<td>1.9%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$70.1</td>
<td>5.0%</td>
<td>$88.4</td>
<td>4.9%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Financial aid, net</td>
<td>$22.4</td>
<td>1.6%</td>
<td>$65.3</td>
<td>3.6%</td>
<td>38.2%</td>
</tr>
<tr>
<td>Other</td>
<td>$82.3</td>
<td>5.9%</td>
<td>$76.8</td>
<td>4.3%</td>
<td>-1.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,395</td>
<td>100%</td>
<td>$1,803</td>
<td>100%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Expense per FYE student</td>
<td>$10,299</td>
<td></td>
<td>$11,584</td>
<td></td>
<td>2.5%</td>
</tr>
<tr>
<td>FYE student enrollment</td>
<td>135,494</td>
<td></td>
<td>155,601</td>
<td></td>
<td>3.0%</td>
</tr>
</tbody>
</table>
### Fiscal year 2010 financial performance

<table>
<thead>
<tr>
<th>($ in millions)</th>
<th>FY2010</th>
<th>FY2009</th>
<th>Change</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enrollment</td>
<td>155,601</td>
<td>143,924</td>
<td>11,677</td>
<td>8.1%</td>
</tr>
<tr>
<td>Revenue</td>
<td>$1,982.8</td>
<td>$1,850.5</td>
<td>$132.4</td>
<td>7.4%</td>
</tr>
<tr>
<td>Net Assets</td>
<td>$1,723.8</td>
<td>$1,544.1</td>
<td>$179.6</td>
<td>11.6%</td>
</tr>
<tr>
<td>Operating fund reserve</td>
<td>$81.7</td>
<td>$72.1</td>
<td>$9.6</td>
<td>13.3%</td>
</tr>
<tr>
<td>Composite Financial Index</td>
<td>3.21</td>
<td>1.62</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Composite Financial Index: Components

Primary Reserve \{resource availability\}
- MnSCU 3.2 months vs 5 months

Viability \{debt coverage\}
- MnSCU 100% vs 125%

Net Operating Revenue \{surplus or deficit\}
- MnSCU 3.3% vs 2% – 4%

Return on Net Assets \{asset stewardship\}
- MnSCU 12% vs 6%

*MnSCU CFI 3.21 vs Mid-line Goal 3.0*
## Composite Financial Index: Variability in the 32 Colleges and Universities

<table>
<thead>
<tr>
<th>Metric</th>
<th>High</th>
<th>Low</th>
<th>System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Reserve - resource availability</td>
<td>1.24</td>
<td>0.12</td>
<td>0.70</td>
</tr>
<tr>
<td>Viability - debt coverage</td>
<td>3.50</td>
<td>0.23</td>
<td>0.84</td>
</tr>
<tr>
<td>Net Operating Revenue - surplus or deficit</td>
<td>1.00</td>
<td>(0.10)</td>
<td>0.48</td>
</tr>
<tr>
<td>Return on Net Assets - asset stewardship</td>
<td>2.00</td>
<td>0.26</td>
<td>1.19</td>
</tr>
<tr>
<td>Composite Financial Index (CFI)</td>
<td>6.66</td>
<td>0.97</td>
<td>3.21</td>
</tr>
</tbody>
</table>
Fiscal year 2010 net assets

<table>
<thead>
<tr>
<th>Net Assets ($ in millions)</th>
<th>General Fund</th>
<th>Special Revenue</th>
<th>Enterprise</th>
<th>Revenue Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>$1,161.6</td>
<td>$0.9</td>
<td>$18.7</td>
<td>$91.3</td>
<td>$1,272.5</td>
</tr>
<tr>
<td>Restricted expendable, bond covenants</td>
<td></td>
<td>$0.3</td>
<td>$56.8</td>
<td></td>
<td>$57.2</td>
</tr>
<tr>
<td>Restricted expendable, other</td>
<td>$32.5</td>
<td>$3.4</td>
<td>$4.0</td>
<td>$25.9</td>
<td>$65.8</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>$237.4</td>
<td>$19.8</td>
<td>$71.1</td>
<td>$174.0</td>
<td>$328.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,431.5</strong></td>
<td><strong>$24.2</strong></td>
<td><strong>$94.0</strong></td>
<td><strong>$174.0</strong></td>
<td><strong>$1,723.8</strong></td>
</tr>
</tbody>
</table>
General fund reserves

• Board policy requires 5-7 percent of general fund revenues

• Fiscal year 2010 total reserves
  • Colleges/universities = $81.7 million (5.6 percent of revenues)
  • System = $9.4 million (1.5 percent of appropriation)

• College/university reserve levels range from $450,000 to $9.3 million

• Total reserves would cover two payrolls
Reserves a measure of financial health

- Reserves available to:
  - Protect system and colleges/universities in cases of sudden shortfalls in revenue
  - Cover unanticipated expenses
  - Provide for extraordinary one-time investments

- Higher Learning Commission’s emphasis on strong financial health (as measured by financial ratios) – ability of a college/university to carry out its mission

- Solid financial position resulting in 2011 Revenue Fund bond sale at Aa2/AA- rating
State funding decline at time of record enrollment growth

![Graph showing state funding decline at time of record enrollment growth. The graph includes bars representing appropriation and line graph showing full-year equivalent student enrollment. The data points show a decline in funding from $606.4 million in 2000 to $605.5 million in 2011, while enrollment increased from 126,215 to 158,071.]
Appropriation support for the Minnesota State Colleges and Universities as percent of total state spending

- 2000: 4.9%
- 2001: 4.7%
- 2002: 4.7%
- 2003: 3.8%
- 2004: 3.8%
- 2005: 3.8%
- 2006: 3.8%
- 2007: 3.8%
- 2008: 3.8%
- 2009: 4.2%
- 2010: 3.9%
- 2011 est.: 3.9%
Enrollment continues to grow
Percent of state appropriation and tuition revenue

- Appropriation
- Tuition
### Total state appropriation and tuition revenue per student

<table>
<thead>
<tr>
<th>Year</th>
<th>Appropriation</th>
<th>Tuition</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$4,811</td>
<td>$0</td>
</tr>
<tr>
<td>2001</td>
<td>$4,877</td>
<td>$0</td>
</tr>
<tr>
<td>2002</td>
<td>$4,766</td>
<td>$0</td>
</tr>
<tr>
<td>2003</td>
<td>$4,467</td>
<td>$0</td>
</tr>
<tr>
<td>2004</td>
<td>$4,120</td>
<td>$0</td>
</tr>
<tr>
<td>2005</td>
<td>$4,033</td>
<td>$0</td>
</tr>
<tr>
<td>2006</td>
<td>$4,475</td>
<td>$0</td>
</tr>
<tr>
<td>2007</td>
<td>$4,351</td>
<td>$0</td>
</tr>
<tr>
<td>2008</td>
<td>$4,507</td>
<td>$0</td>
</tr>
<tr>
<td>2009</td>
<td>$4,637</td>
<td>$0</td>
</tr>
<tr>
<td>2010</td>
<td>$4,864</td>
<td>$0</td>
</tr>
<tr>
<td>2011 est.</td>
<td>$4,995</td>
<td>$0</td>
</tr>
</tbody>
</table>

- **Appropriation**
- **Tuition**
Average annual tuition increase for resident undergraduate full-year equivalent student

<table>
<thead>
<tr>
<th>Year</th>
<th>College</th>
<th>University</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$411</td>
<td>$573</td>
</tr>
<tr>
<td>2006</td>
<td>$295</td>
<td>$202</td>
</tr>
<tr>
<td>2007</td>
<td>$249</td>
<td>$249</td>
</tr>
<tr>
<td>2008</td>
<td>$133</td>
<td>$205</td>
</tr>
<tr>
<td>2009</td>
<td>$79</td>
<td>$162</td>
</tr>
<tr>
<td>2010</td>
<td>$340</td>
<td>$205</td>
</tr>
<tr>
<td>2011</td>
<td>$296</td>
<td>$340</td>
</tr>
<tr>
<td>2012 est</td>
<td>$310</td>
<td>$296</td>
</tr>
<tr>
<td>2013 est</td>
<td>$325</td>
<td>$310</td>
</tr>
</tbody>
</table>
Average annual percentage tuition increase for resident undergraduate student
Competitive tuition and fees: 2010-2011

Two-Year Colleges

Minnesota State Colleges Average $4,902
Aveda Institute $9,600-$18,000
University of Phoenix $11,520
Brown College $15,921
Dunwoody Institute $17,559-$19,921
Minnesota School of Business/Globe College $19,575

Four-Year Colleges and Universities

Minnesota State Universities Average $6,596
University of Minnesota, Duluth $10,763
Concordia College (Moorhead) $27,160
Bethel University $28,080
College of St. Scholastica $28,374
Hamline University $30,763
St. John's University $31,576
College of St. Benedict $32,246
Gustavus Adolphus College $33,858
Employee full-time equivalent

Total FY2010 Total System FTE = 15,671

- State College Faculty
  - 4,859
  - 31.0%
- State University Faculty
  - 3,299
  - 21.1%
- AFSCME
  - 3,386
  - 21.6%
- MAPE
  - 1,729
  - 11.0%
- Adjunct (Non-Unit) Faculty
  - 326
  - 2.1%
- State University Administrative & Service Faculty
  - 703
  - 4.5%
- Supervisory (MMA)
  - 467
  - 3.0%
- Confidential
  - 202
  - 1.3%
- Administrators/Managers
  - 606
  - 3.9%
- Other/Non Unit
  - 94
  - 0.6%
# State appropriation resources

<table>
<thead>
<tr>
<th></th>
<th>FY2011</th>
<th>FY2012 Forecast Base</th>
<th>FY2012 Governor’s Budget Rec</th>
</tr>
</thead>
<tbody>
<tr>
<td>College/University O &amp; M</td>
<td>$555.9</td>
<td>$580.9</td>
<td>$543.8</td>
</tr>
<tr>
<td>Office of the Chancellor/Shared Services Division</td>
<td>$44.7</td>
<td>$44.7</td>
<td>$44.2</td>
</tr>
<tr>
<td>Learning Network</td>
<td>$4.8</td>
<td>$4.8</td>
<td>$4.5</td>
</tr>
<tr>
<td><strong>Total state resources</strong></td>
<td><strong>$605.5</strong></td>
<td><strong>$630.4</strong></td>
<td><strong>$592.5</strong></td>
</tr>
</tbody>
</table>
## Appropriation reduction: 15 and 20 percent scenarios

<table>
<thead>
<tr>
<th></th>
<th>FY2012</th>
<th>FY2013</th>
<th>Biennium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forecast base</td>
<td>$630.4</td>
<td>$630.4</td>
<td>$1,260.8</td>
</tr>
<tr>
<td>15 percent reduction</td>
<td>$535.8</td>
<td>$535.8</td>
<td>$1,071.7</td>
</tr>
<tr>
<td>Change from forecast</td>
<td>($94.6)</td>
<td>($94.6)</td>
<td>($189.1)</td>
</tr>
<tr>
<td>20 percent reduction</td>
<td>$504.3</td>
<td>$504.3</td>
<td>$1,008.6</td>
</tr>
<tr>
<td>Change from forecast</td>
<td>($126.1)</td>
<td>($126.1)</td>
<td>($252.2)</td>
</tr>
</tbody>
</table>
## Budget challenge 2012-2013

<table>
<thead>
<tr>
<th></th>
<th>15 percent reduction</th>
<th>20 percent reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational initiatives</td>
<td>$50.0</td>
<td>$50.0</td>
</tr>
<tr>
<td>Appropriation reduction</td>
<td>$189.1</td>
<td>$252.2</td>
</tr>
<tr>
<td>Contractual benefit cost increase</td>
<td>$49.9</td>
<td>$49.9</td>
</tr>
<tr>
<td><strong>Budget challenge</strong></td>
<td><strong>$289.0</strong></td>
<td><strong>$352.1</strong></td>
</tr>
<tr>
<td>No transformational initiatives</td>
<td>($50.0)</td>
<td>($50.0)</td>
</tr>
<tr>
<td><strong>Remaining budget challenge</strong></td>
<td><strong>$239.0</strong></td>
<td><strong>$302.1</strong></td>
</tr>
</tbody>
</table>
Office of the Chancellor budget planning

- The 2012-2013 budget planning framework assumed reduction in state support
- Rigorous review of services resulted in a reorganization that:
  - strategically focuses work in support of Board of Trustees’ established priorities; and
  - suspended, eliminated and redefined selected services
- Budget reductions totaling $4.2 million
- Eliminated 41 positions through retirements, resignations, and layoffs
Colleges/universities have taken strong budget actions already

- 27 have announced position reductions; approximately 680 positions to date
- 17 have implemented early retirement programs
- 14 have announced planned closure of 81 programs
- 21 have preliminary 2012 budget plans using fund balance
Impact of 15 and 20 percent appropriation reduction scenarios

Although each method below would be sufficient to cover reduction, it is probable a combination of all or most would be applied.

<table>
<thead>
<tr>
<th>Action</th>
<th>15 percent reduction</th>
<th>20 percent reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff FTE</td>
<td>1,000</td>
<td>1,450</td>
</tr>
<tr>
<td>Percent of Total</td>
<td>15.5%</td>
<td>22.5%</td>
</tr>
<tr>
<td>Faculty FTE</td>
<td>880</td>
<td>1,280</td>
</tr>
<tr>
<td>Percent of Total</td>
<td>9.9%</td>
<td>14.4%</td>
</tr>
<tr>
<td>Course sections</td>
<td>9,200</td>
<td>13,380</td>
</tr>
<tr>
<td>Percent of Total</td>
<td>10.7%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Student FYE</td>
<td>16,150</td>
<td>23,480</td>
</tr>
<tr>
<td>Percent of Total</td>
<td>10.7%</td>
<td>15.5%</td>
</tr>
</tbody>
</table>
Budget pressures

• Compensation
  • Salary
  • Employer-paid health insurance rate increases
  • Employer-paid retirement rate increases

• Other operating costs
  • Utility rate increases
  • Change in square footage
  • Debt service obligation
  • Facility repair and replacement investment
Colleges and universities strategy

- Revenue growth
  - Tuition increase greatest potential
  - Enrollment growth
  - Outside revenue sources (federal/private operating grants)

- Expense containment
  - Productivity
  - Collaborative sourcing
  - Shared services
System financial strategies

- Multi-year budget planning with balanced budgets
- Regionally competitive tuition policy
- Development of outside revenue sources
- Allocation of state aid based on efficiencies at the division and program level
- Possible modest tuition increases
- Collective bargaining outcomes
Campus Locations

[Map showing various campus locations across Minnesota, including St. Paul, Minneapolis, Duluth, and other cities.]
University Budget Planning

February 24, 2011
Dr. Richard Davenport
Rick Straka
Budget Assumptions

- Estimated state budget gap of $5.8 - $7.0 Billion
- Base reductions at 15% - 22% of appropriation
- Results in spending reductions of $6M to $10M at MSU, Mankato
- University challenged to balance budget for FY12
Budget Process Consultation

- Monthly meet and confers
- Special joint meetings of planning, budget and assessment sub-meet and confers
- “All Staff” e-mail messages and updates
- Town hall open forums
- Proposed reduction plans available via Intranet for all MSU faculty, staff and students
- Online comment portal on MSU budget website
Academic Metrics

- Shared Governance Process Used to Develop Academic Metrics

1. Relationship to institutional mission (Mandates)
2. Cost and enrollment (MnSCU instructional cost study)
3. Mission centrality
4. Quality (i.e. accreditation & program review)
5. Job market needs and placement
FY12-13 Budget Decisions

- Utilize data and program metrics for all programs
- Administrative reorganization and downsizing
- Academic program decisions announced
  - Appeals heard from each unit
  - Individual faculty retrenchment notices filed
- Non-academic program decisions
  - Appeals heard from each unit
  - Individual staff layoff notices filed
Outcomes of Budget Process

- Identified $5.7M (6%) in instructional reductions
  - 77.5 Faculty positions
  - 15 Program closures (1 Academic dept. eliminated)

- Identified $1.9M (7%) in non-instructional reductions
  - 28.5 staff positions
  - Reorganizations in Finance and Admin., University Advancement, Extended Learning
  - 5 administrative positions eliminated
  - (In addition to FY10 consolidation of Academic and Student Affairs)

- Identified 4 varsity sports for elimination
Budget Impact on Campus

- Larger class sizes
- Fewer major program tracks and courses offered
- Fewer sections of courses offered (less flexibility)
- Increased response time to student inquiries – especially during heavy demand periods
- Heavy teaching, advising and/or counseling loads
- Delayed equipment purchases for instruction and classroom technology
- Campus morale