Committee: Finance, Facilities and Technology  Date of Meeting: January 21, 2009

Agenda Item: FY 2010-2011 Budget Planning Update

☐ Proposed Policy Change  ☐ Approvals Required by Policy  ☐ Other Approvals  ☐ Monitoring

☒ Information

Cite policy requirement, or explain why item is on the Board agenda: The system has begun budget planning for the 2010-2011 biennium. In light of the $4.8 billion deficit projected for the state, the system is planning in a budget reduction environment.

Scheduled Presenter(s): Laura M. King, Vice Chancellor - Chief Financial Officer
Judy Borgen, Associate Vice Chancellor Budget
Karen Kedrowski, System Budget Director

Outline of Key Points/Policy Issues: An update as to the 2010-2011 budget planning is being presented to the Board. Information on system priorities/initiatives, tuition and a timeline for budget planning will be provided in the update.

Background Information: The colleges and universities have begun budget discussions with campus constituents. The system has responded to a request by Minnesota Management and Budget to identify a 10 percent reduction option for the 2010-2011 biennium.
BACKGROUND

The system has begun budget planning for the 2010-2011 biennium. In November 2008, a 2010-2011 biennial operating budget request of $71.7 million was submitted to Governor Pawlenty and Minnesota Management and Budget. The system recently responded to a request by Minnesota Management and Budget to identify a 10 percent reduction option for the 2010-2011 biennium. In addition, Governor Pawlenty unallotted $20 million from the system’s fiscal year 2009 appropriation. Governor Pawlenty is scheduled to release his 2010-2011 operating budget recommendations on January 27, 2009. The purpose of this report is to update the Board of Trustees as to the 2010-2011 budget planning being undertaken within the system.

BUDGET PLANNING PROCESS

As the state approaches the 2010-2011 biennium, it is faced with an economic challenge – a projected shortfall of $4.8 billion. The legislature will have a daunting task ahead of them in order to balance the budget. Due to this economic challenge, the system is beginning the budget planning process in a reduction environment. The system is approaching this challenge by holding three principles central to decision-making.

- Decisions will be made in a way that best serves students;
- Decisions will strive to take into account the system’s mission to serve the economic development needs of the state and its communities; and
- Planning will take a multi-year approach, positioning the system for long-term financial viability.

Budget discussions have begun with the campus community and system constituents and will continue over the next several months culminating with Board of Trustees approval of the fiscal year 2010 operating budget including tuition scheduled for July 2009. Colleges and universities face a budget challenge in the first year of the biennium with a nine-month layoff notification period within the faculty contracts. Notification would need to be given in early fall for the layoffs to become effective at the end of spring semester. Therefore, decisions would have had to been made this past fall to impact fiscal year 2010 budget. Final decisions made next fall (2009) would not be effective until fiscal year 2011.
System priorities/initiatives. The Board of Trustees Strategic Plan for 2008-2012, Designing the Future, lays out the strategic directions that are the priorities of the system. The annual action plan operationalizes the Strategic Plan by identifying specific strategies and measures to meet the goals. College and university operating budgets include a focus on the system’s priorities. The Board of Trustees approved a $1.5 billion general operating fund budget for fiscal year 2009. In addition, there are numerous system initiatives funded with discretionary state resources such as serving the underrepresented, enterprise technology, centers for excellence, tuition subsidies, system wide audit program, and contract/non credit activity.

The Chancellor and presidents have established performance goals for progress on the fiscal year 2009 action plan targets. This progress is supported with both base and discretionary state resources within the college and university budgets. The Leadership Council has initiated structured conversations concerning progress, options, and barriers as part of the 2010-2011 budget planning. Board of Trustees input will be sought as these discussions progress.

Tuition. Tuition has a role in the budget planning process. The 2010-2011 biennial operating budget request includes a tuition increase of 2 percent at the colleges and 3 percent at the universities based on receipt of the system’s entire biennial operating budget request of $71.7 million. With the system approaching the 2010-2011 biennium in a budget reduction environment, the college and university presidents will look to the Board of Trustees for tuition increase parameters to assist in their planning.

TIMELINE

Over the next several months, the Chancellor and Leadership Council will continue discussions on the 2010-2011 budget challenges with a focus on identifying budget balancing solutions. Colleges and universities will continue with budget planning and discussions with their campus community. Enrollment projections will be updated in March following the start of spring semester. However, based on October 2008 projections, enrollment is projected to increase 1 percent each year of the next biennium.

The Chancellor will continue to update and seek advice from the Board of Trustees on the 2010-2011 budget planning process. The updates will include the impact of the 2009 unallotment, the impact of the Governor’s operating budget recommendation, status of legislative negotiations, and status of college/university budget planning.

A more detailed framework for 2010-2011 budget decisions can be found in Attachment 1. The timeline assumes that the legislature completes its work in the regular session which is scheduled to conclude May 18, 2009.

Date presented to the Board of Trustees: January 21, 2009
Attachment 1

FRAMEWORK FOR 2009-2011 BUDGET DECISIONS

The following timeline assumes legislature completes in work in the regular session which is scheduled to conclude May 18th 2009. If they do not, we may not have enough information about our eventual results to proceed in April, May and June as outlined below.

November
- Board of Trustees Approved of 2010-2011 Biennial Budget – submission to Minnesota Management and Budget
- Discussion with Leadership Council regarding economic outlook
- Colleges/universities continue budget reduction planning

December
- Continue discussion with Leadership Council on framework for 2009-2011 budget decisions
- Seek group support to communicate FY2009 unallotment action and recommended application method
- Communicate with Leadership Council and constituent groups

Forecast released 12/4
FY2009 unallotment action released 12/19

January
- Continue discussion with Leadership Council on framework for 2009-2011 budget decisions
- 2009-2011 budget planning provided to Board of Trustees at regular January meeting
  - 2009 unallotment
  - 2010-2011 budget reductions as recommended by the Governor (if known)
  - Board 2010-2011 policy/strategy guidance sought
  - College/university budget process and timeline

Legislative session begins 1/6
Governor’s budget released 1/27
February
- Continue discussion with Leadership Council on framework for 2009-2011 budget decisions
- Summary/outlook provided to the Board of Trustees by special communication
  - Impact/plan for 2010-2011 budget including reduction planning based upon the Governor’s recommendation

*New Revenue Forecast released late February*

March
- Continue discussion with Leadership Council on framework for 2009-2011 budget decisions
- Summary/outlook provided to the Board of Trustees at regular March meeting
  - Impact of state’s recent forecast
  - Include impact of FY2009 unallotment
  - Status of legislative negotiations
  - Update on FY2010-2011 budget planning

April
- Special communication/special board meeting to advise as budget planning moves toward closure
- College/university FY2010-2011 budget decisions firm up as session winds down

May
- Discussion at regularly scheduled board meeting to advise as budget planning moves toward closure
- College/university final FY2010 budget decisions and FY2011 outlook forwarded to OOC

*Session scheduled to end May 18*

June
- Board of Trustees receives FY2010-2011 budget outlook and FY2010 college/university budgets and tuition recommendations; holds public hearings

July
- Board of Trustees approval of FY2010 college/university budgets including tuition