

Charge to the Workgroup on the Long-Term Financial Sustainability of Minnesota State Colleges and Universities

Draft: August 31, 2015

The success of Minnesota State Colleges and Universities depends, in large part, on our ability to develop and implement a long-term, sustainable financial plan that provides the resources the system's colleges and universities need to ensure access to an extraordinary education for all Minnesotans; be the partner of choice to meet community and business needs; and be the lowest cost / highest value higher education option in the state.

Like other public higher education systems across the country, our colleges and universities have experienced a significant change in their sources of revenue. Despite recent investments by the State of Minnesota, state support per student (in constant dollars) in FY2015 was 32% below FY2002 funding levels and the state's share of campus general fund budgets has dropped from 66% in FY2002 to 44% in FY2015. Looking forward, state budgets will likely remain under increasingly relentless pressure from other needs (e.g., health care, preK-12, economic and social service programs).

The reduction in state support has resulted in greater reliance on tuition as a source of revenue. In recent years, public concern about, as well as our commitment to, affordability have substantially lowered the appetite for anything beyond very modest tuition rate increases.

Public entities, such as higher education, with their strong reliance on people, have always struggled to match the growth in expenses with the growth in revenue. Although the dynamic is not new, the constraint on both state support and tuition rate increases, coupled with the decline in the number of high school graduates, has made the external environment more challenging over the past decade. As a result, new revenue is not keeping up with expenses and this has placed our colleges and universities under enormous financial pressure. This fiscal constraint has limited their ability to invest in new academic programs, student services, equipment, and new technology. It challenges our ability to invest in the new initiatives suggested by the Charting the Future implementation teams. It is putting innovation and excellence at risk.

How will our colleges and universities thrive in this new reality? How will they secure the resources they need to ensure their excellence, protect access and affordability, and meet the needs of the communities they serve? How will our colleges and universities thrive in an increasingly complex and competitive higher education market where the number of high school graduates has declined, where the need to serve an increasingly diverse population has risen, and where some competitors promote themselves as providing faster, friendlier, more flexible and reliable pathways to courses and degree completion?

The Workgroup on the Long-Term Financial Sustainability of Minnesota State Colleges and Universities is charged with developing a long-term financial strategy that will ensure that the system's colleges and universities can better fulfill their mission over the next decade and beyond. This work will require a thoughtful, dispassionate review of political, demographic, and economic facts and trends and candid reflection on current cost structures and revenue streams. The long-term financial plan must take into account demographic and economic trends; changes in the marketplace; and the opportunities, pressures and constraints on revenues and expenses.

Development of a plan must entail a process that candidly examines and confronts facts; assesses (and where appropriate challenges) deeply-held assumptions, traditions and beliefs; considers new ideas, models, and strategies; and draws upon the most effective strategies employed by our campuses and/or recommended by the Charting the Future implementation teams.

The Workgroup is charged with formulating recommendations to the chancellor, the Leadership Council, and the Board of Trustees that will strengthen the long-term financial sustainability of our colleges and universities. The overall questions to be addressed are:

What changes should be made to the system's revenue and expenditure strategies to ensure the long-term financial sustainability of our colleges and universities in light of the priorities set in the strategic framework?

What tools as well as academic and financial planning strategies are needed to effectively implement these recommended changes?

Revenue Strategies

- What strategies should our colleges, universities, and system office use to grow a larger and more diversified portfolio of revenues? (e.g., customized training and continuing education revenue; private giving; program growth; enrollment growth; increased retention; development of physical assets and intellectual property; etc.) What is the likely fiscal impact of each strategy? How should we implement each strategy to realize its full potential?

Expense Strategies

- What are our major cost drivers and which costs are increasing faster than the increase in revenue?
- What are the opportunities (beyond those strategies currently being pursued) to further reduce expenses and reduce the rate of increase in expenses (e.g., greater efficiency and effectiveness in academic programs and administrative operations; improved asset and real estate management including improved space utilization; more effective information technology infrastructure; expanded innovative staffing practices; etc.)? What is the likely efficacy of each strategy? How should we implement each strategy to realize its full potential?

Planning Strategies, Tools, and Models

- Do we have effective long-term campus-level and system-level financial and human resource strategies, models, and planning tools that take into account projected changes in revenue and expenses as well as demographic, enrollment, and economic trends that affect the financial health of our colleges and universities? What improvements should be made to these strategies, models and tools? How can our system and campus budget decisions be better linked to our academic priorities and to financial sustainability? What changes to the system and campus budgeting processes should be considered? How might new financial strategies support innovation and excellence?
- How should the projected impact of new revenue and expense strategies be assessed and their impacts included in our models and planning tools? How might we best track and evaluate the relationship between the system and campus financial plans and long-term sustainability?
- What system-level and campus-level planning processes are needed to monitor and evaluate the long-term financial success of our colleges and universities and the system as a whole?

Schedule

The workgroup should initiate its deliberations in September 2015 and should complete its report by June 3, 2016.

Draft Membership

Vice Chancellor for Finance and Chief Financial Officer, Co-Chair

Associate Vice Chancellor and Director of the Campus Service Cooperative, Co-Chair

Vice Chancellor for Academic and Student Affairs

Vice Chancellor for Human Resources

Vice Chancellor for Information Technology and Chief Information Officer

Associate Vice Chancellor for Facilities

System Director for Financial Planning and Analysis

1 or 2 university presidents

1 or 2 college presidents

A total of 4-6 college and university leaders drawn from CFOs, CAOs, CHROs and CIOs

A representative from each bargaining unit (6)

A representative from each student association (2)

2 trustees

2 external experts

Finance staff will provide support