

Revenue Options for Building Long-term Sustainability



Long-term Financial Sustainability Workgroup

April 6, 2016

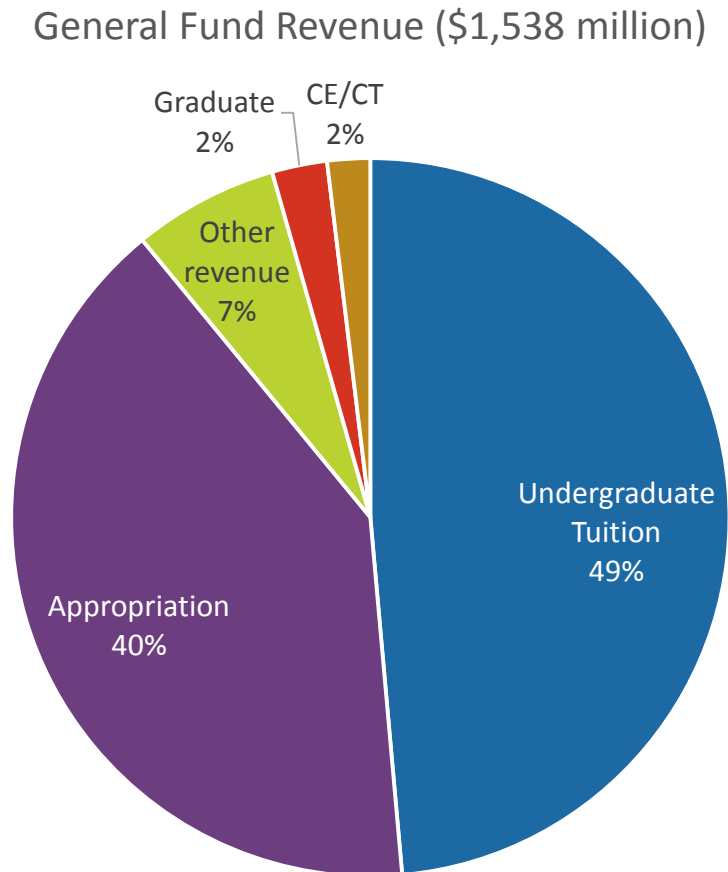


Minnesota
STATE COLLEGES
& UNIVERSITIES

What options should be considered to increase revenues?

- Tuition revenue
- State appropriation
- Enterprise/auxiliary revenue
- Grant income (non-financial aid)
- Market share improvements
- Retention and completion rate improvements
- Local property tax levy option for colleges

MnSCU's two major general fund revenue sources are undergraduate tuition and state appropriation



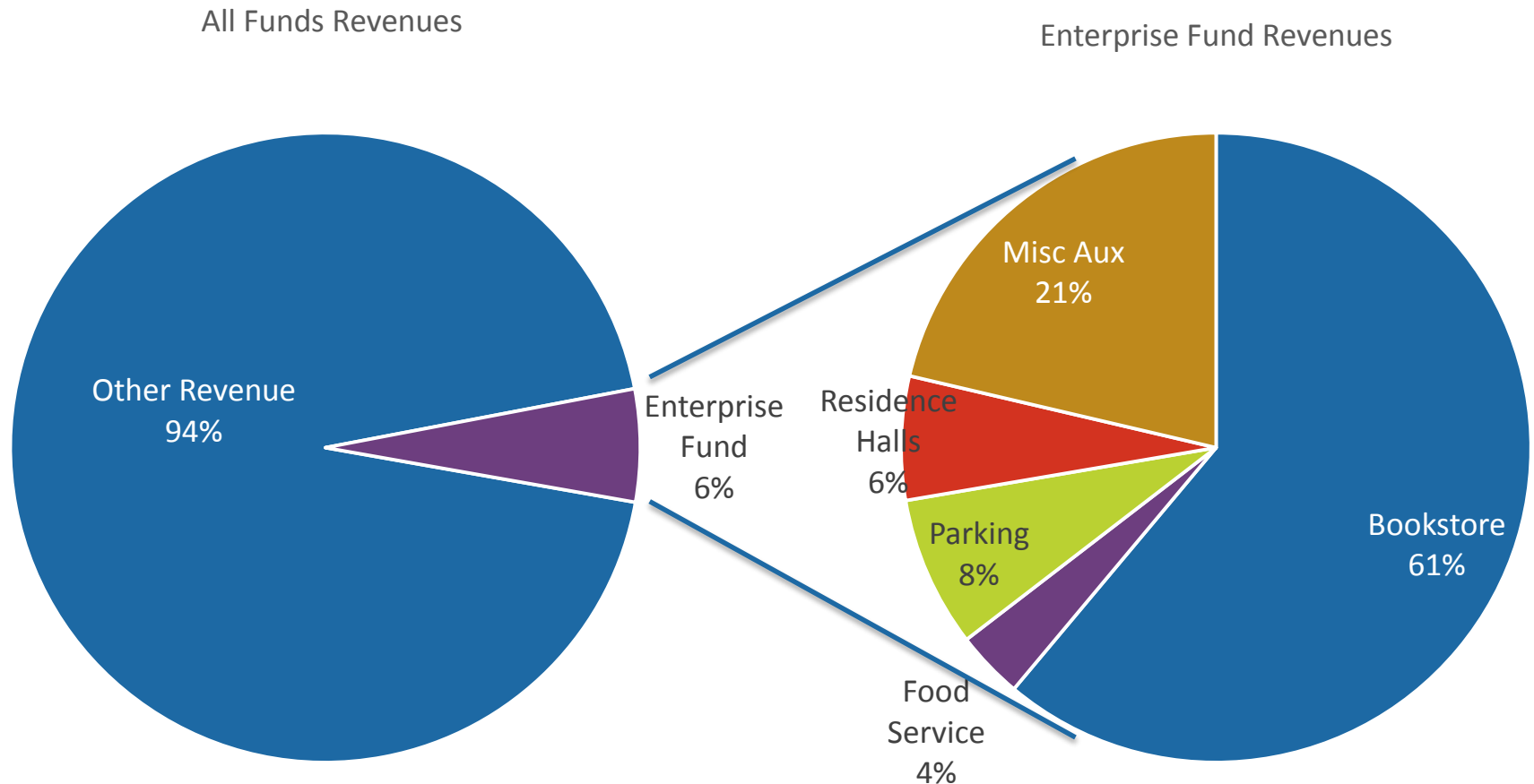
Source: Financial Planning & Analysis, FY2015

Increasing each source by 1% generates \$15.9 million in additional revenue

General Fund Source	Estimated Revenue	1% Slice
Undergraduate Tuition	\$ 747,084,000	\$ 7,471,000
FY2017 Appropriation	\$ 672,726,000	\$ 6,727,000
Other Revenue	\$ 100,625,000	\$ 1,006,000
Graduate Revenue	\$ 38,148,000	\$ 381,000
CE/CT	\$ 29,673,000	\$ 297,000
Total	\$ 1,588,256,000	\$ 15,883,000

Source: System Office Financial Planning & Analysis

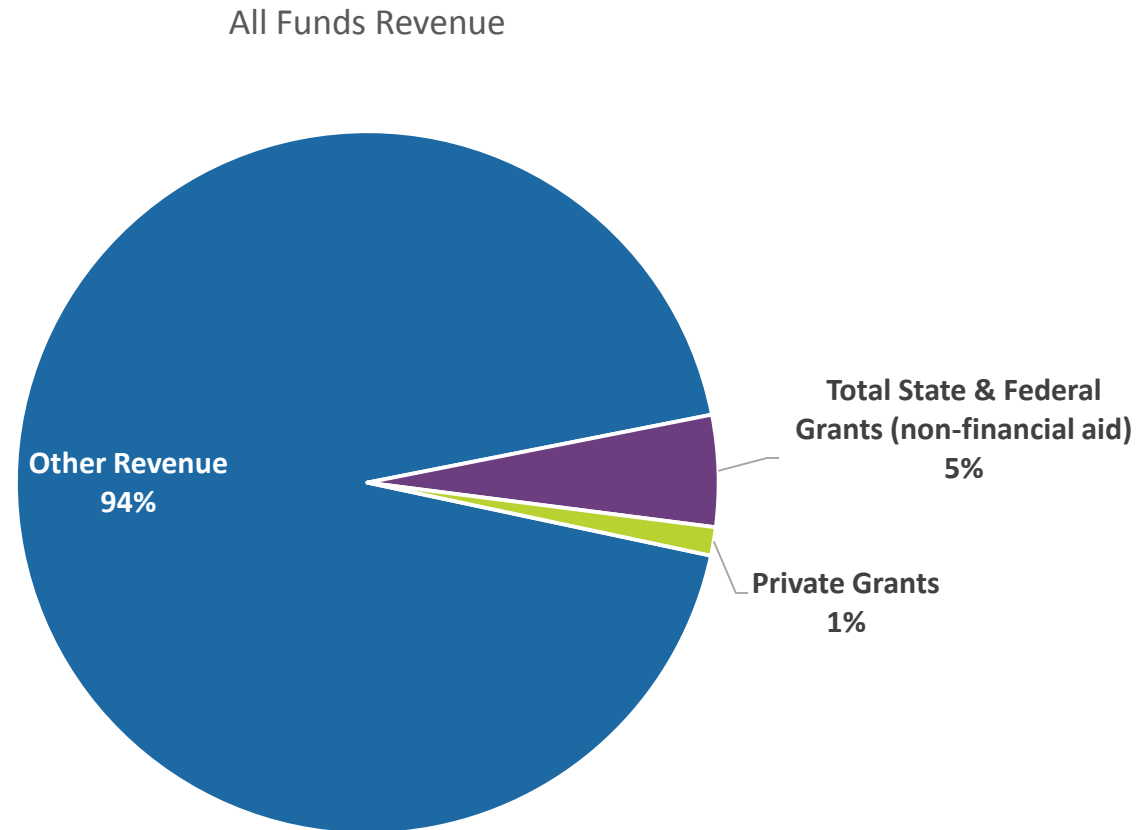
Enterprise fund revenue generate 6% of all funds revenue



*Does not include revenue fund fees

Source: FY2015 Financial Statements, System Office Financial Reporting

Federal, state and private grants account for 6% of all funds revenue



Source: FY2015 Financial Statements, System Office Financial Reporting

Increasing each source by 1% generates \$2.3 million in additional revenue

Source	Gross Revenue	1% Slice
Bookstore	\$ 67,514,166	\$ 675,142
Food Service	\$ 3,832,180	\$ 38,322
Parking	\$ 8,562,649	\$ 85,626
Residence Halls	\$ 7,020,705	\$ 70,207
Misc Aux	\$ 23,577,197	\$ 235,772
Total Federal and State Grants (Non-Financial Aid)	\$ 98,054,000	\$ 980,540
Private Grants	\$ 24,891,000	\$ 248,910
Total	\$ 233,451,897	\$ 2,334,519

Source: System Office Research

Increasing market share of Minnesota resident undergraduate students by 1% generates \$8.3 million in tuition revenue

	Share	Estimated 1% Impact (FYE)	Revenue Estimate
Colleges	45.3%	924	\$ 4,987,000
Universities	20.0%	409	\$ 3,269,000
System Total	65.3%	1,332	\$ 8,256,000

Source: System Office Research

Capturing 1% of high school students attending college outside the state and those that don't enroll in college would increase revenue by \$920,000 in first year

Enrollment Status	High School Graduates	Estimated 1% Impact (FYE)	Revenue Estimate
College Outside Minnesota	11,180	60	\$ 353,000
Don't Enroll in College	17,974	96	\$ 567,000
Total	29,154	156	\$ 920,000

Source: System Office Research

Increasing retention results in student success and increased revenue

System Impact		
Increased Retention (over FY2013)	Additional FYE	Tuition and Fees
Initial 1% increase in students	1303	\$ 7,947,000

Source: System Office Research

Are property taxes an option for generating additional local revenues for our colleges?

- Minnesota property taxes fund school districts, towns, cities, counties, and other special taxing districts (taxing jurisdiction)
- Property taxes help fund local services such as public schools, police and fire protection, public libraries
- Property taxes are generally considered a more stable source of income
- Minnesota's property tax system is the most complex in the nation

Source: Minnesota Department of Revenue

Estimated market value of property varies widely throughout the state

- Property tax revenues are based on the estimated market value of the property within the the taxing jurisdiction
- Estimated market values vary significantly by taxing jurisdiction throughout the state
- Estimated market value of locally assessed real property for Minnesota counties ranged from \$133 billion (Hennepin County) to \$525 million (Red Lake) in 2014

Value of property varies by county, resulting disparities in ability of taxing jurisdiction to generate property tax revenue

	2014 Estimated Market Value	2014 Taxable Market Value	2014 Certified ANTC
Hennepin	\$133,286,902,300	\$ 129,350,819,274	\$ 1,626,397,835
Wadena	\$958,752,884	\$ 908,163,955	\$ 9,351,749

Source: Minnesota Department of Revenue

If county levies were increased 1% over 2016 levels additional tax revenue generated would vary by county

County	2016 Certified County Levy	1% of County Levy
Hennepin	726,763,726	7,267,637
Pine	15,942,799	159,428
Ramsey	284,416,350	2,844,164
St. Louis	116,631,193	1,166,312
Wadena	8,200,246	82,002

Source: Minnesota Department of Revenue

What are the obstacles to implementing a state college property tax level?

- Variation in total tax capacity impacts the amount of tax revenue that can be generated (e.g., property tax “rich” jurisdiction can generate more revenue at a tax rate than property “poor” one)
- History of property tax relief in Minnesota (e.g., state tax revenues used to offset need for property tax revenue)
- Technical colleges were supported by property tax revenue when part of K-12 system, until the 1980s
- “Minnesota Miracle” K-12 funding reform implemented in 1971 to address disparities in education funding cause by property value differences

Questions and discussion

- What revenue growth strategies should be considered to grow a larger and more diversified portfolio of revenues?