



February 13, 2017

System enrollment and financial overview

**House Ways and Means
Committee**

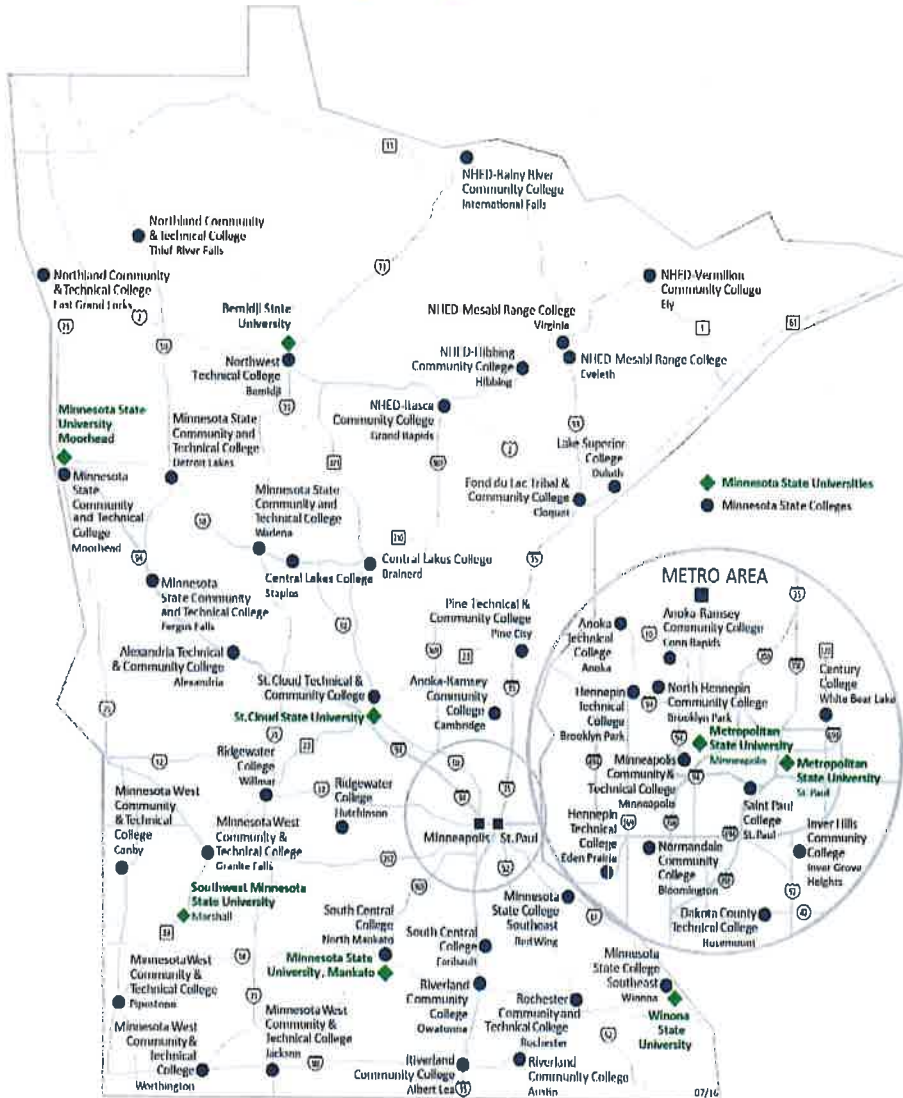
Minnesota State

We Are



MINNESOTA STATE

Extraordinary Education. Exceptional Value.



376,000 Students

- 254,000 in credit classes
- 122,000 in non-credit programs
- 59% in greater Minnesota
- 127,000 from underrepresented groups
- 48,500 first generation students
- 10,000 veterans

37 Colleges and Universities with 54 Campuses

- 7 universities
- 30 colleges

47 Communities across the State

- From International Falls to Worthington
- Enrollment ranges from 445 to 32,131



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Enrollment overview



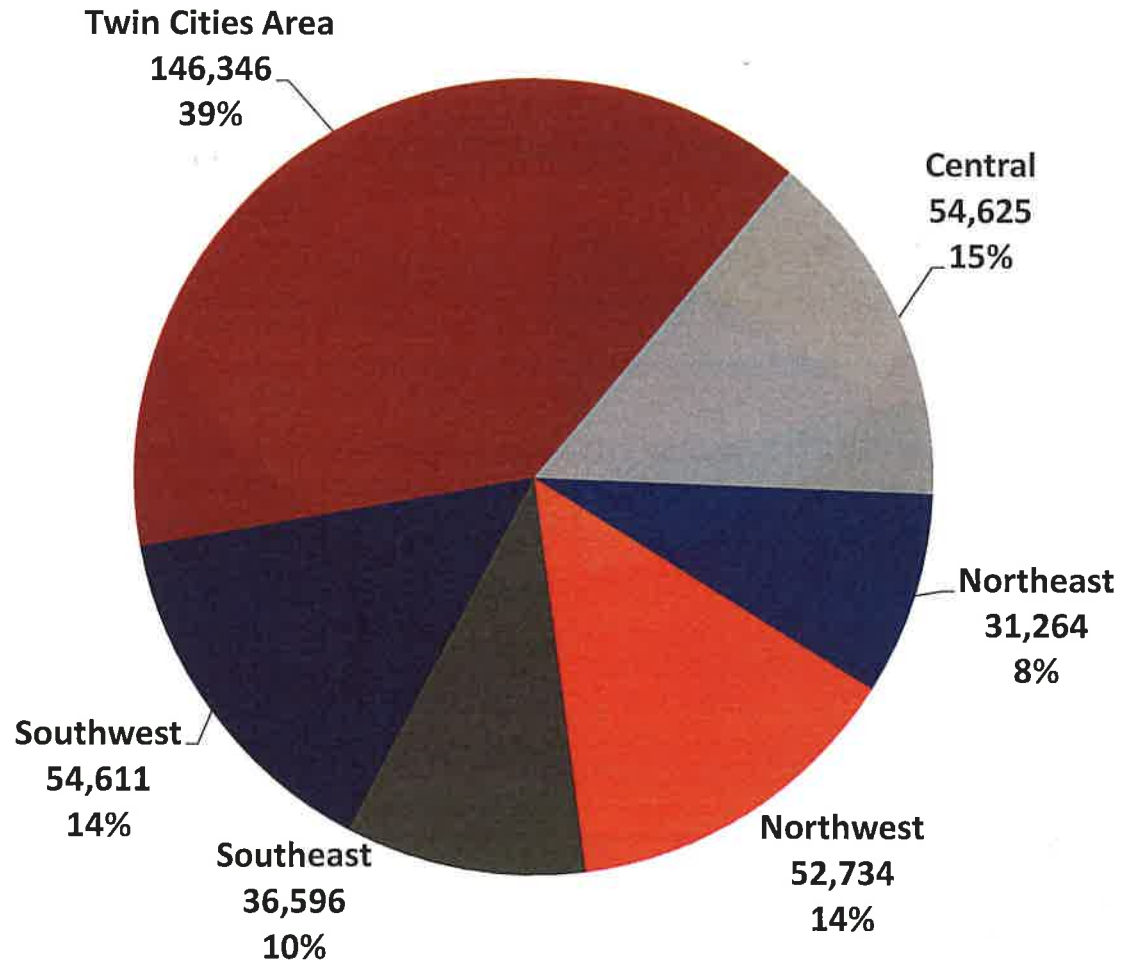
Our colleges and universities serve:

- 63,400 students of color and American Indian students
- 48,500 first-generation college students
- 84,000 low-income students
- 10,000 veterans

In each of these categories, our colleges and universities serve more students than all of Minnesota's other higher education options *combined*.

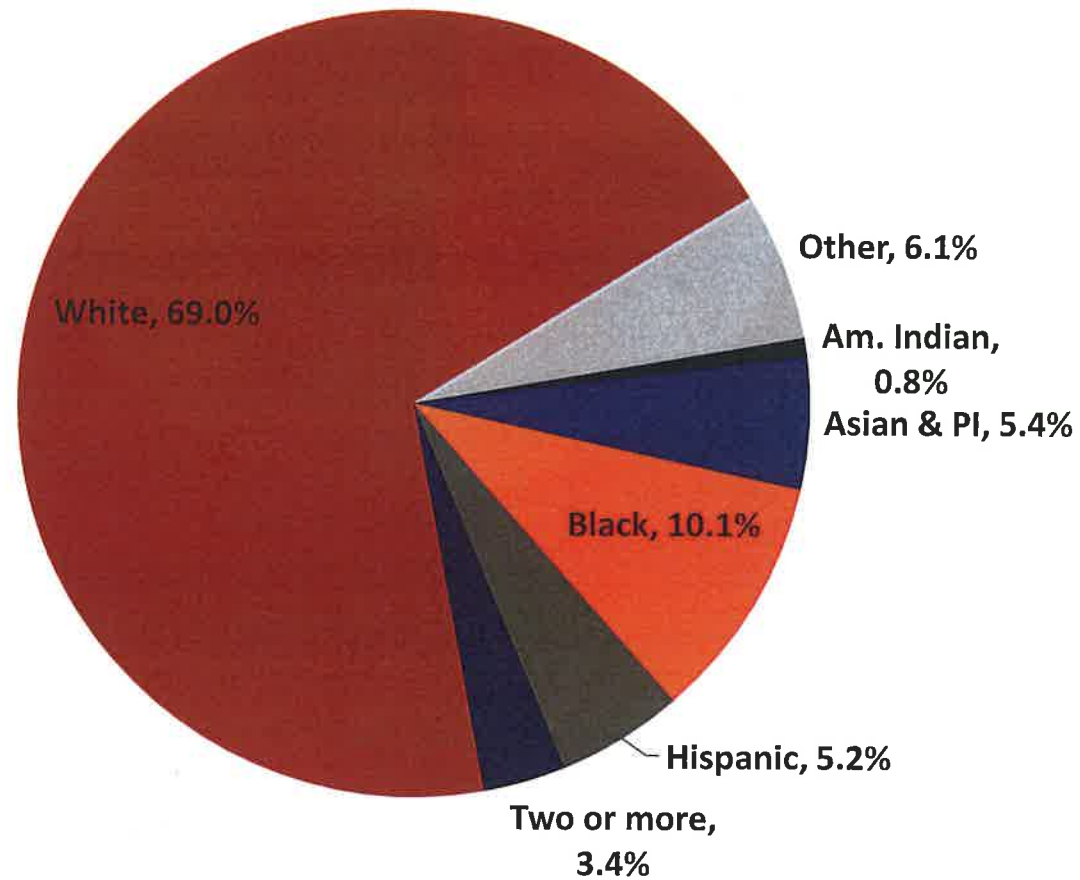


Educating all of Minnesota



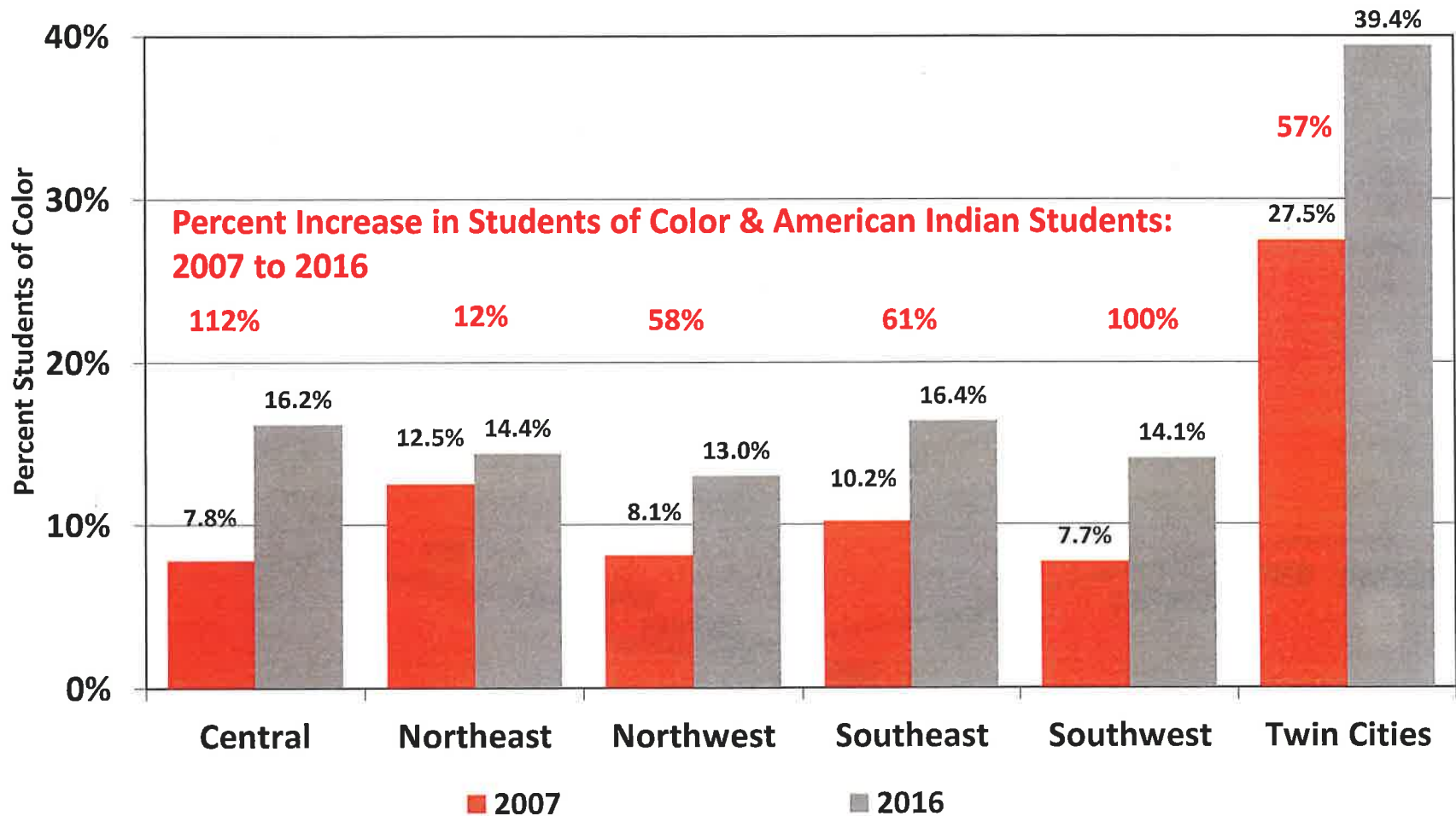
**Total Headcount = 376,176
fiscal year 2016**

Racial and ethnic diversity



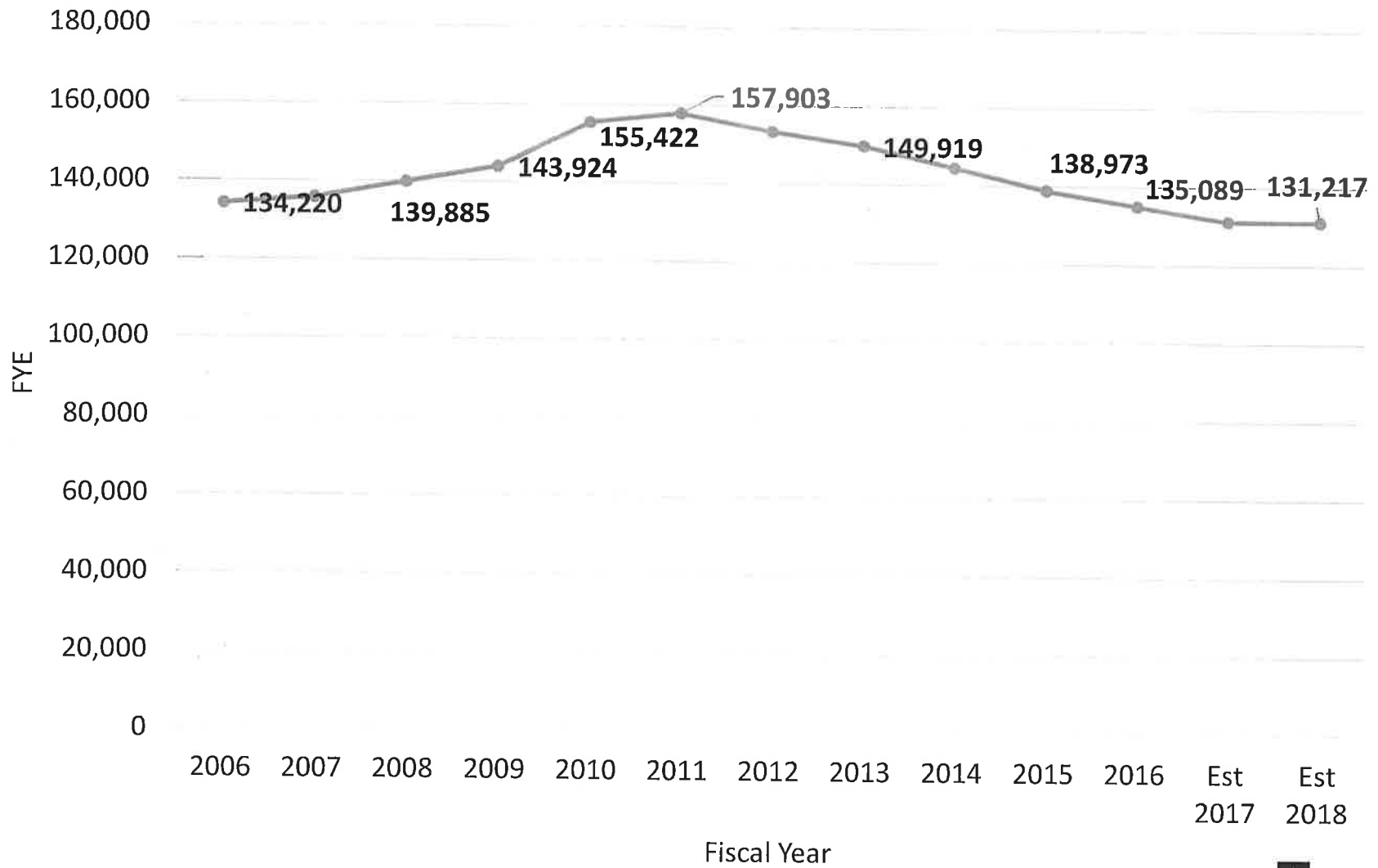
Total American Indian and Students of Color = 63,423
Total Credit Headcount = 254,206
fiscal year 2016

Student of color and American Indian student enrollment has grown in all regions of the state

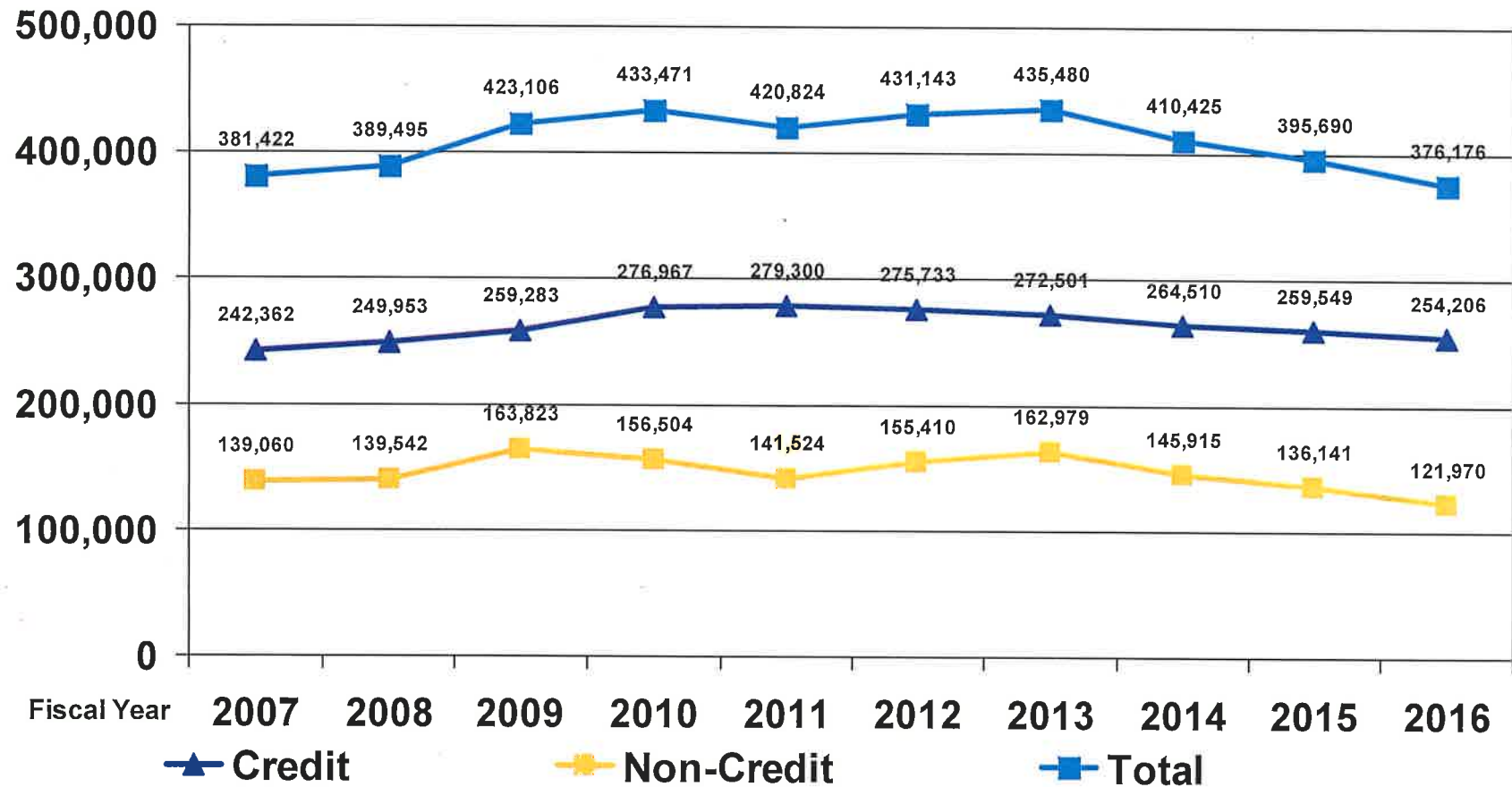


Students of Color & American Indian: 2007 = 39,405 2016 = 63,423 Increase = 61.0%

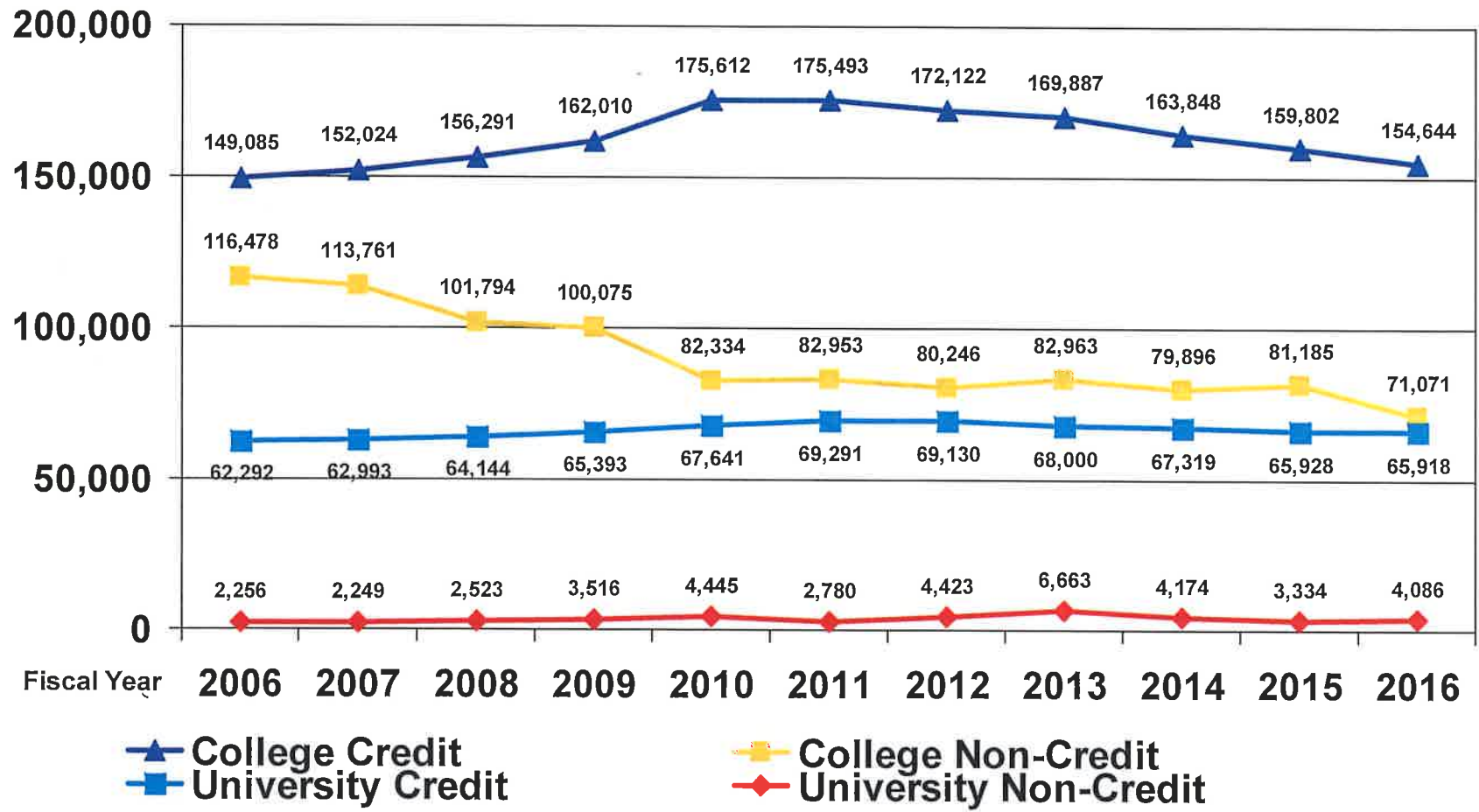
Enrollment in credit courses grew during the recession but has since fallen



Total headcount peaked during the recession and has decreased since fiscal year 2013 as the economy recovered



Credit headcount at the colleges and universities peaked during the recession and non-credit has decreased since

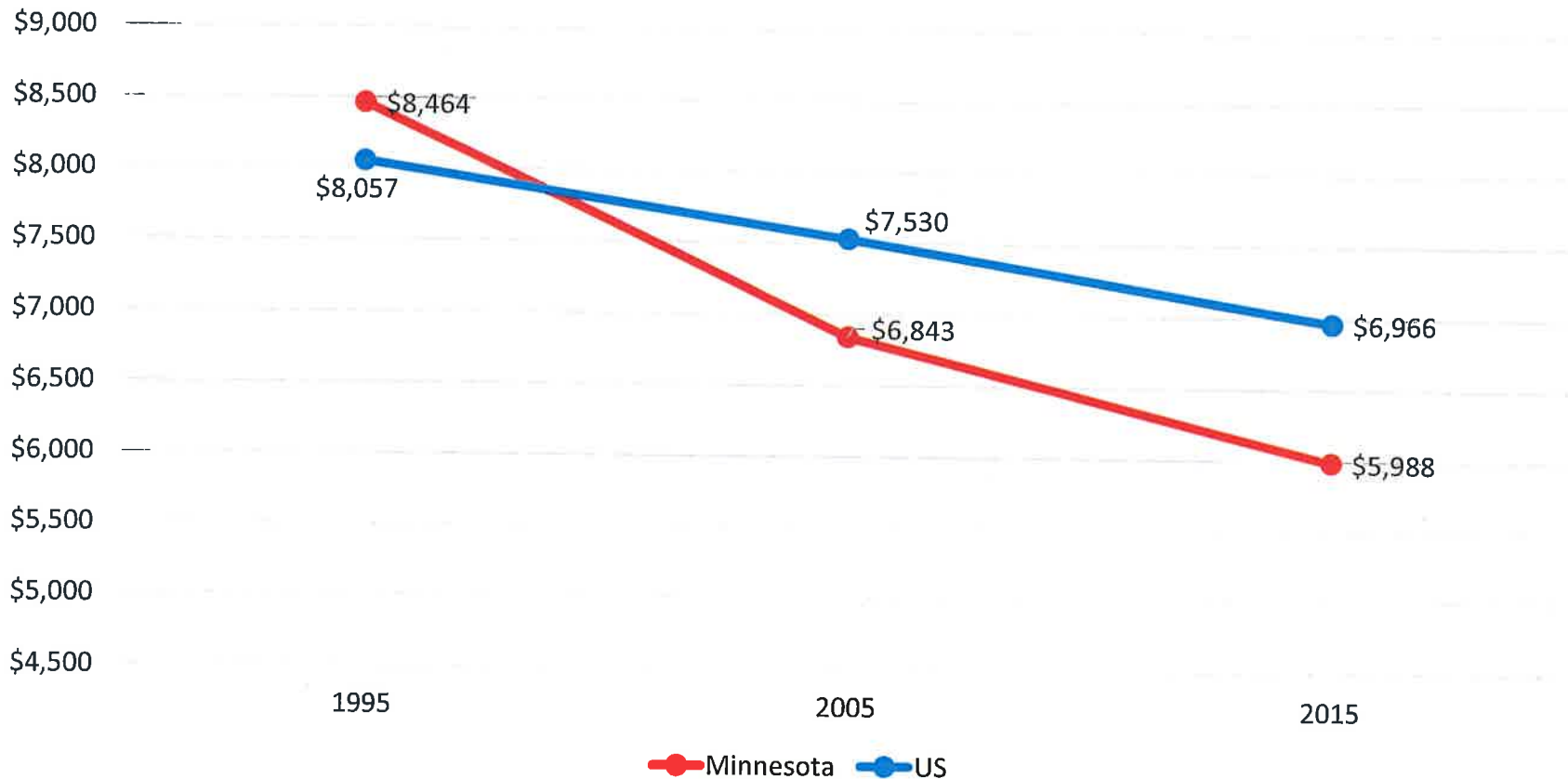


Financial overview



Minnesota's higher education funding trails U.S. average significantly

State and Local Educational Appropriations for Higher Education per FTE Student from 1995 to 2015



Financial pressures threaten the ability of our campuses to serve students

Revenue

- Between FY2008 and FY2017, state appropriation and tuition revenue *combined* increased an average of 1.17% per year. (State appropriation increased an average of 0.12% per year; tuition increased an average of 2.26% per year.)

Expenses

- MMB negotiates fully 1/3 of our compensation costs and its results strongly influence the other 2/3 of our costs.
- Our college, university, and system office administrative spending is among the lowest in the country: the system ranks 35th out of 50 states and DC in administrative spending per student FYE – 15% below the national average and below similar systems in all contiguous states (IA, WI, ND, SD).
- The total number of employees, system-wide, has declined by 10.6%; only 3.1% (525) of the system-wide employees are administrators, down 9% since 2009.
- The system office base budget has dropped from \$43.5 million in FY2009 to \$33.1 million in FY2016 (from 3.0% of the system-wide budget to 2.1%).



We have significantly reduced costs

- Our college, university, and system office administrative spending is among the lowest in the country: the system ranks 33th out of 50 states and DC in administrative spending per student FYE – 11% below the national average and below similar systems in contiguous states (IA, WI, ND).
- The total number of employees, systemwide, has been cut by 10.2% between FY2010 and FY2016; only 3.1% (525) of the systemwide employees are administrators, down by 9.5% since FY2010.
- The system office base budget has dropped from \$43.5 million in FY2009 to \$33.1 million in FY2016 (from 3.0% of the system-wide budget to 2.1%).
- Institutional support expenses across all campuses have fallen from 12.4% of total expenses in FY2011 to 11.8% in FY2015.



All funds budget (*\$'s in millions*)

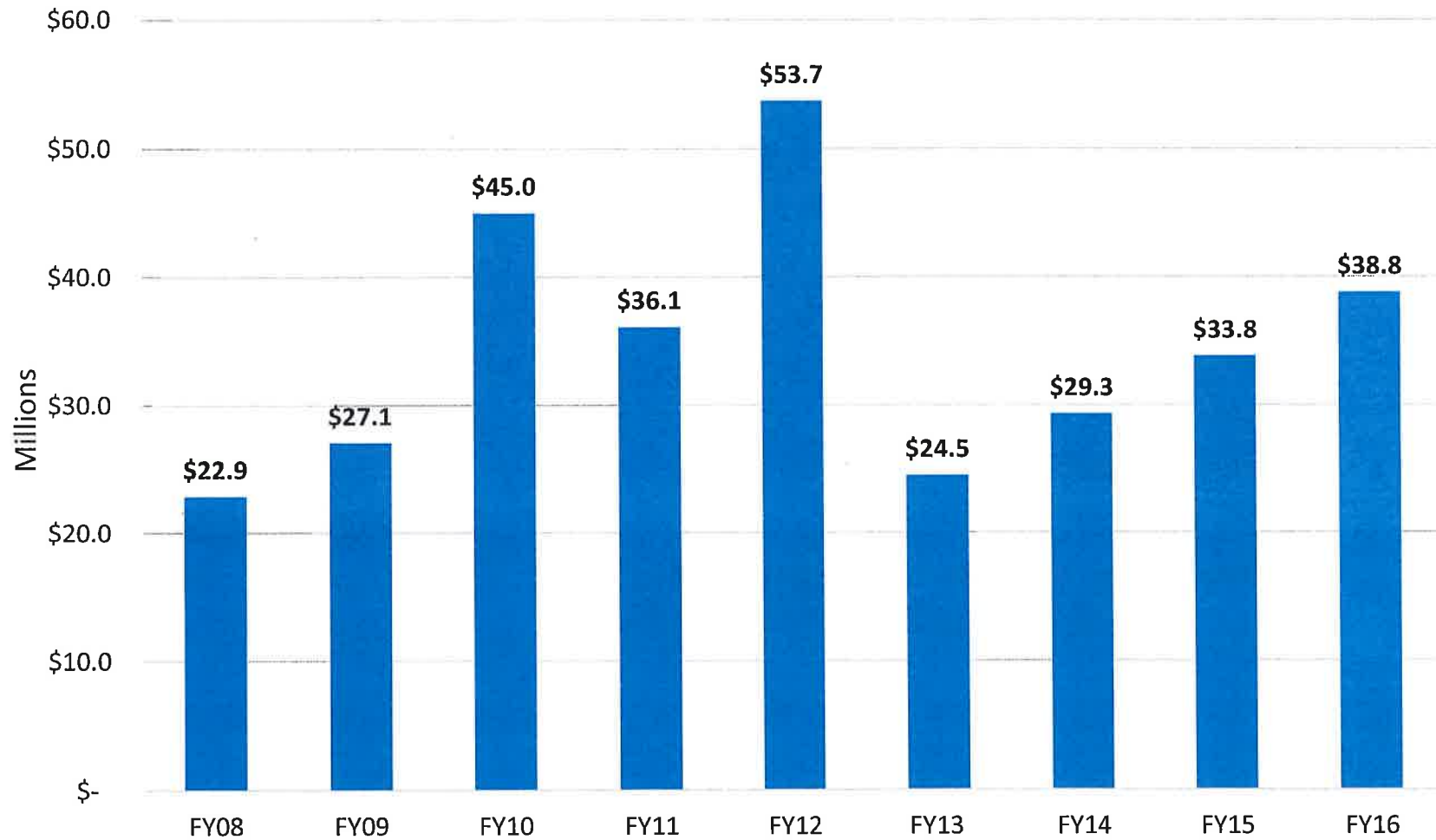
	FY 2017 Budget	\$ Change from FY2016	% Change from FY2016
Revenues			
General Fund	\$1,576.8	\$8.0	0.5%
Other Funds	\$382.6	\$(7.8)	(2.0%)
Total budgeted revenues	\$1,959.4	\$.2	0.0%
Expenses			
Compensation	\$1,286.3	\$14.2	1.1%
Other operating costs	\$662.4	\$(9.1)	(1.4%)
Total budgeted expenses	\$1,948.7	\$5.1	0.3%
Budget balance	\$10.7		



Financial outlook worsens significantly if the structural imbalance is not addressed

<i>\$s in millions</i>	FY2016	FY2017	Total	FY2018	FY2019	Total
State Appropriation and Tuition Support						
State Appropriation and Tuition Support	50.0	50.0	100.0	50.0	50.0	100.0
University (Tuition Revenue)	12.7	12.7	25.4	12.7	12.7	25.4
College (Tuition Revenue)	0.0	(4.3)	(4.3)	(4.3)	(4.3)	(8.6)
Total State Appropriation and Tuition Support	62.7	58.4	121.1	58.4	58.4	116.8
Estimated Expenses						
Compensation	36.0	72.0	108.0	72.0	72.0	144.0
Other Operating Costs	11.0	23.0	34.0	23.0	23.0	46.0
Total Estimated Expenses	47.0	95.0	142.0	95.0	95.0	190.0
Revenues over/(under) estimated expenses	15.7	(36.6)	(20.9)	(36.6)	(36.6)	(73.2)

Reallocation (cuts) trends



Reductions/Reallocations (\$'s in thousands)

Category	# Layoffs & Vacancies Eliminated (FTE)	# of Programs Impacted	Dollar Amount
Suspended or closed programs	9	8	\$1,132
Faculty positions	121	132	\$15,650
Administrative/staff positions	155	8	\$12,683
Equipment	0	0	\$1,068
Repair & replacement	0	0	\$365
Student services	12	0	\$861
Other	12	5	\$4,309
General operating budget	0	0	\$2,688
Total reductions/reallocations	309	153	\$38,756

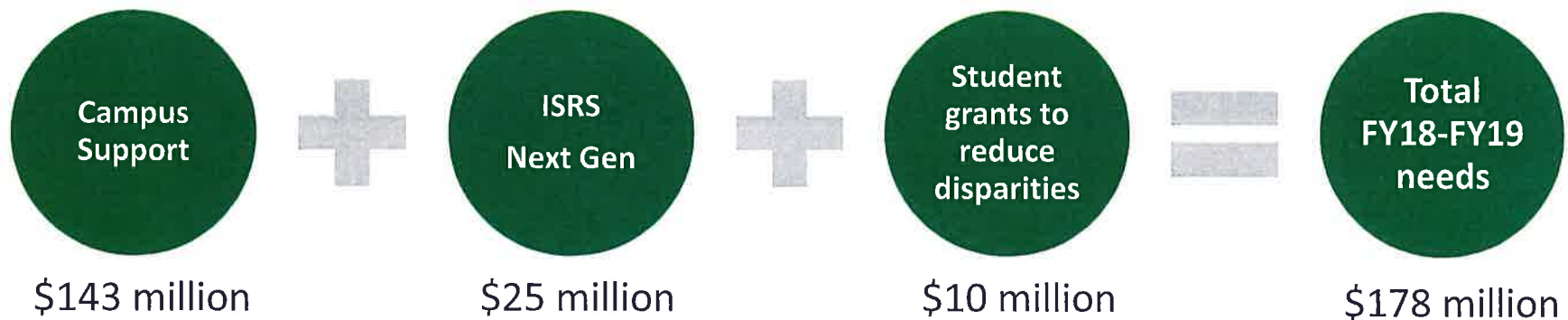
Reinvestments and Cuts (\$'s in thousands)

Category	# Positions Added/ Reassigned (FTE)	# Programs Impacted	Dollar Amount
Enhanced, redesigned, or new programs	11	17	\$1,261
Added or reassigned faculty positions	24	31	\$1,963
Added or reassigned admin/staff positions	57	45	\$4,403
Equipment	0	0	\$1,169
Invest facilities and/or R&R	0	0	\$1,498
Student services	2	0	\$1,329
Other	3	2	\$3,129
Reinvestments subtotal	93	91	\$14,631
Cuts made to balance the budget	0	0	\$24,125
Total Reinvestments and Cuts -	93	91	\$38,756
Invests in direct mission activities			\$11,085
Stems the growth in tuition and student fees			\$26,837
supports programs that benefit students			\$11,452

FY2018-FY2019 Operating budget request

Our FY18-FY19 request: three important goals

- Protect programs and campuses so we can meet the workforce needs in communities across Minnesota
- Reduce economic and racial disparities by protecting affordability, access and advancing student success
- Provide the faculty, staff, and IT infrastructure needed to deliver these programs



How important is state support?

- State appropriation and student tuition are the two primary sources of funding for our colleges and universities
- State appropriation sets constraints on available resources for:
 - Compensation
 - Program support and growth
 - Student support services
 - Technology and equipment
 - Solutions to challenges campuses are trying to address
 - New initiatives and investments
 - New partnerships
 - Innovations



ISRS Next Generation is a critical system investment that must be made

- Replaces the system's outdated 20-year old ISRS data system that is reaching its technological end of life
- Plays a critical role in the success of our students – from applicant to graduate and nearly every process in between
- Serves as the cornerstone data system for our enterprise and requires high security
- Touches everyone and nearly every activity: application, registration, course schedule, housing, financial aid, transcripts, system finance, accounting, and HR



Composite Financial Index



GASB STATEMENT NO. 68 EFFECT

- GASB 68 has 3 components on the statement of net position
 - Net pension liability of \$364.8 million
 - Deferred inflow of resources of \$225.6 million
with an offset to
 - Deferred outflows of resources (\$116.0 million)
 - Total impact on net position \$474.4 million
 - Compares to \$519.1 million in FY15



FY2016 Financial Summary

Most colleges and universities reported operating gain due to GASB adjustment. Underlying loss due to an enrollment decline

Campus budget reserves preserved – critical risk management strategy

Continued investments in building improvements and infrastructure - which help retain current and attract new students



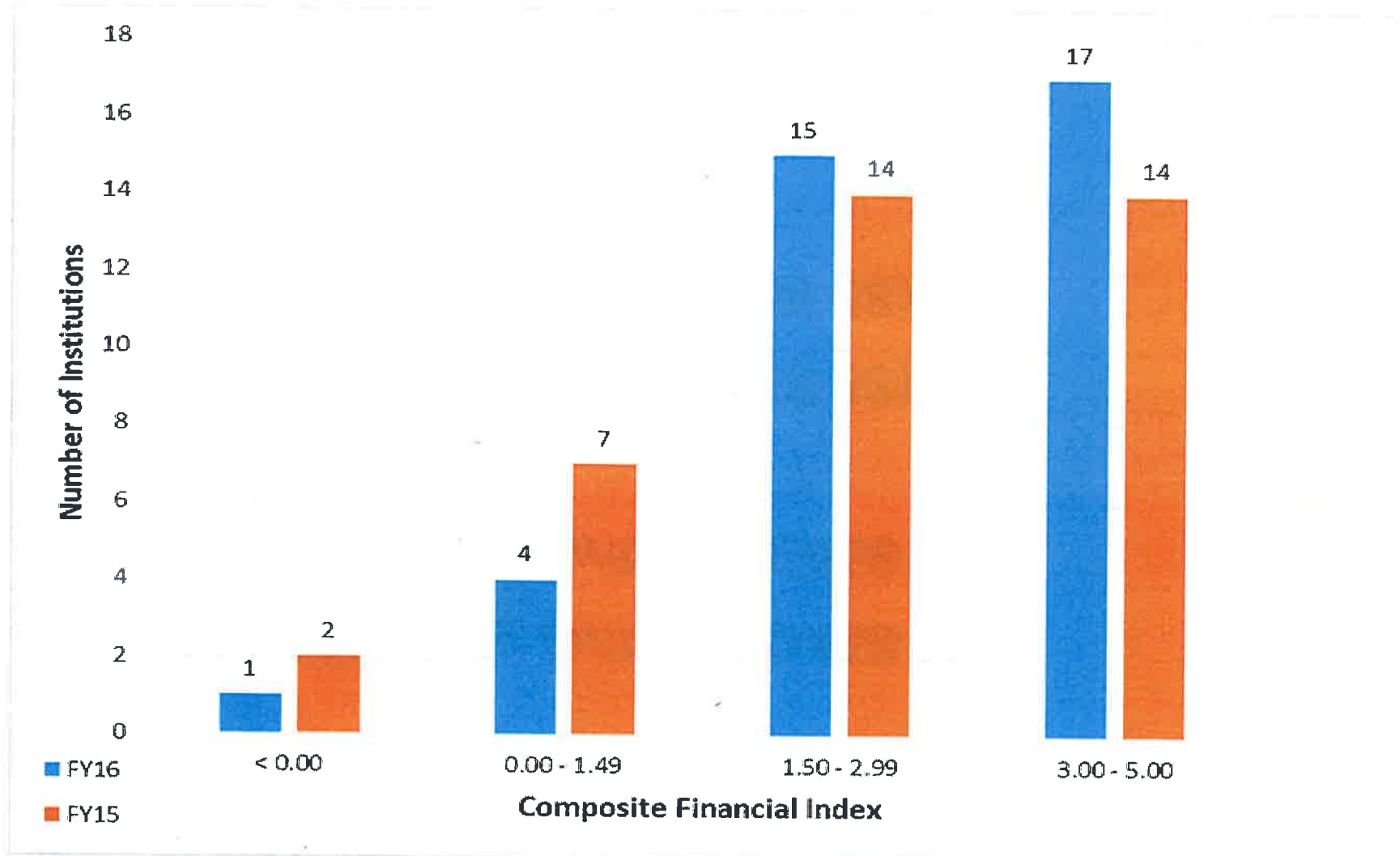
Composite Financial Index - CFI

- FY2016 CFI = 2.22 (without GASB 68)
- FY2015 CFI = 1.74 (without GASB 68)

- FY2016 CFI = 1.50 (with GASB 68)
- FY2015 CFI = 0.79 (with GASB 68)



Composite Financial Index FY2016-2015



FY2016 Financial Summary

- CFI varies amongst colleges and universities
- CFI trends positive in FY 2015 and 2016, after declining the previous year due to falling enrollment
- System CFI relatively flat in the two long term measurements, with small increases in the two short term measurements
- Campuses displaying focused budgeting, planning and analysis



FY2016 Monitoring Results

- 4 colleges and 2 universities reported CFI below 1.50 based on 2 year average or less than .5 in most recent year
- Financial plans are required for these 6 colleges and universities
- Communication with campus leadership to discuss results





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651-201-1800

888-667-2848



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