

# **University Budget Forum**

**March 19, 2009**

**9:00 a.m. and 11:00 a.m.**

**Bridgeman 100**

# Outline of Topics

- State of MN February 2009 Economic Forecast
- American Recovery and Reinvestment Act of 2009 (ARRA) – Federal Stimulus Bill
- Updated University FY2010 and FY2011 Budget Scenarios
- Next steps/timeline

**\$4.6 Billion Shortfall for FY2010-11**  
**\$236 Million Balance for FY 2009**

<b>(\$ millions)</b>	<b><u>FY2008-09</u></b>	<b><u>FY2010-11</u></b>
<b>November Shortfall</b>	<b>(\$426)</b>	<b>(\$4,847)</b>
<b>Changes:</b>		
<i>Unallotment &amp; Budget Reserve</i>	<b>426</b>	
<i>Underlying Forecast Changes</i>	<b>(228)</b>	<b>(1,318)</b>
<i>Federal Stimulus</i>	<b><u>464</u></b>	<b><u>1,359</u></b>
<b>February Forecast Balance</b>	<b>\$236</b>	<b>(\$4,806)</b>
<b>Budget Deficit (FY2009-11)</b>		<b>(\$4,570)</b>

# Federal Stimulus Helps, But It is Not a Permanent Budget Solution

(\$ millions)	<u>FY2010-11</u>	<u>FY2012-13</u>
<b>Revenues</b>	<b>\$30,700</b>	<b>\$34,244</b>
<b>Spending</b>	<b>35,506</b>	<b><u>39,377</u></b>
<b><i>One-time federal stimulus</i></b>	<b><u>(1,359)</u></b>	<b><u>0</u></b>
<b><i>Adjusted spending</i></b>	<b>36,685</b>	<b>39,377</b>
<b><i>Structural Gap</i></b>	<b>(\$6,165)</b>	<b>\$(5,133)</b>
<b>Inflation (estimate)</b>	<b>\$170</b>	<b>\$1,360</b>

# Federal Stimulus American Recovery and Reinvestment Act of 2009 (ARRA)

- ◎ Minnesota eligible for approximately \$4.6 billion –
  - Medicaid match: \$1.8 billion
  - State stabilization: \$0.8 billion
  - Dedicated funding (highways, bridges, drinking water): \$2.0 billion

# Three principles areas of benefit for higher education

1. **Workforce Investment Act and related programs.**
  1. Dislocated worker programs
  2. Job training grants (green jobs, high growth industries, career and technical programs)
2. **Expanded Pell and HOPE tax credit program (changes are for this biennium only).**
  1. Increases the Pell by an additional \$500 on top of a \$119 increase that was already in the House bill
  2. Maximum for HOPE tax credit increases from \$1,800 to \$2,500

# Three principles areas of benefit for higher education

## 3. State Fiscal Stabilization Fund

1. Provisions in the Act direct funding for “education and general expenditures and in such a way to mitigate...tuition and fee increases” OR “for modernization, renovation or repair.”
3. Governor’s budget proposes to restore MnSCU funding to our FY2008 level for FY2009,2010, and 2011.
5. Chancellor’s office goal is use these funds to transition our cost structure for FY2012 and FY2013 without draining all available reserves. Tuition relief

# **Changes in FY2010 budget projections since February 4, 2009**

- 1. Reduced fuel and utility budget by \$142,605.  
Procured 50% of our natural gas for 2009-2010  
at a 32% savings from 2008-2009 rate.**
- 2. IFO 2009-2011 collective bargaining settlement.**
- 3. Updated debt service payment projection for  
FY2010 after receiving FY2009 invoice, which  
reduced institutional obligations budget by  
\$100,000.**

# **FY2010 Budget Scenarios**

## **As of February 4, 2009**

**Targeted shortfall for planning purposes = \$2,500,000**

# **FY2010 Budget Scenarios**

## **As of March 18, 2009**

**Targeted shortfall for planning purposes = \$2,000,000**

# Campus Budget Suggestions to the President

(as reported in 2/20/09 budget update)

Themes that have emerged:

- Energy Efficiency
- Salary Savings
- Early Incentive Retirement
- Efficiencies

# Next Steps/Timeline

- Financial Planning needs to take in consideration that state economic condition, which impacts base state appropriation, will not improve for four years (FY2010-FY2013).
- Governor's revised budget proposal is one milestone in a long legislative process as the Senate and the House have yet to determine how they would adjust the base appropriation and how that would impact the use of state stabilization funds.
- Planning for FY2010 will continue along the timeline proposed in February with some modifications.