

# Budget Forum and Update Bemidji State University

April 2016

## Our Financial Agenda



1. Financial Recovery Plan
2. Revenue Problem or Cost Problem
3. Projections
4. FY17 Plan

# Financial Recovery Plan

What triggers a recovery plan?

1. Low Composite Financial Index (CFI) score of less than 1.5 (2-year average) or 0.5 for most recent year, Consequence = Requires a Financial Recovery Plan
2. Negative accrual based net operating revenue for two consecutive years, Consequence = Requires a Financial Recovery Plan
3. Low accrual primary reserve level of less than 1.6 months for two consecutive years, Consequence = Planned monthly reporting adjusted for actuals

## 19 colleges and universities are now operating under Financial Recovery Plans

- 10 of the 11 colleges and universities operating under plans last year remain on plans this year
- 9 additional colleges and universities triggered the financial recovery plan (FRP) requirement
- Plans submitted, reviewed, discussed with president and CFO
- FRP progress reports will be submitted as part of FY2017 operating budget materials

## Financial Recovery Plans in MnSCU at the Present Time

### FRP colleges and universities report progress

- Of the 11 schools operating under plans last year, one is no longer operating under an FRP this year
- Of the 10 schools still operating under plans in FY2016:
  - 7 improved their CFI score (adjusted) in FY2015
  - 8 reported improvement in their net operating income
  - 8 reported a general fund balance at or above 20 percent of general fund revenues
  - 5 added to their general fund balance

# Financial Recovery Plan

Things we put into a FRP:

1. Fund-level detailed, measurable steps tied to the fiscal year and the projected impact of the steps;
2. Analysis of mid-year interim financial statements addressing FRP and the degree to which actual results match expected results; and
3. Narrative linking the FRP to Higher Learning Commission criteria for accreditation; how are planned steps expected to improve college/university ability to achieve specific criterion.

## Revenue or Costs?



|     | FYE 2011 | FYE 2016 | FYE %  | Revenue<br>FY2011 | Revenue<br>2015 | %<br>Revenue | FY2011<br>Operating<br>Expense | FY2015<br>Operating<br>Expense | % Operating<br>Expense |
|-----|----------|----------|--------|-------------------|-----------------|--------------|--------------------------------|--------------------------------|------------------------|
| BSU | 4715     | 4289     | -9.9%  | 71607             | 69545           | -3.0%        | 68561                          | 71654                          | 4.3%                   |
| NTC | 918      | 640      | -43.4% | 11042             | 9225            | -19.7%       | 10599                          | 9943                           | -6.6%                  |

# Institutional Performance/Revenue Risks

1. Our enrollment profile has changed, i.e. traditional residential freshman student numbers are down; admission standards changed
2. Median salaries for our graduates have flattened
3. We are working to maintain our facilities, many of them with significant deferred maintenance
4. The market demand for our product is declining, the cost to produce the product is increasing, and we are being strongly encouraged to charge less for our product
5. We cannot afford to fund and staff much needed remediation education for the high percentage of under-prepared students
6. The integrity of our curriculum will be lost if faced with an institutional need to significantly reduce costs

# Projections

- ▶ Projecting modest increase in freshman class
- ▶ Projecting modest increase in graduate students
- ▶ Projecting small increase in transfer students
- ▶ Projecting small increase in FR-SO retention
- ▶ Projecting stable residence hall and meal plan participation
  
- ▶ Projecting a 1.5% increase in performance revenue (students), our budgets will break "even" (+\$86,000)
- ▶ Projecting a 0.0% increase in performance revenue (students), our budgets will produce a deficit of approximately \$400,000
- ▶ Mitigating Factor: The supplemental appropriation will bring \$675,000 to the budget.

The strategic enrollment management plan (Michelle & staff) is beginning to work

These projections assume spending reductions as shown on the next slide . . .

If we are revenue neutral and the supplemental appropriation is not approved, we will need to find additional reductions<sup>8</sup>



# Cost Reductions in Cost Matrix

| Area                | Percent |
|---------------------|---------|
| Personnel/Positions | 1.0%    |
| Athletics Subsidy   | 6.9%    |
| Repair/Replacement  | 25%     |
| Tech Infrastructure | 20%     |
| Supplies            | 15%     |
|                     |         |



# Bemidji State University

FY17 will be challenging, but we expect a great year!