

BSU & NTC BUDGET FORUMS

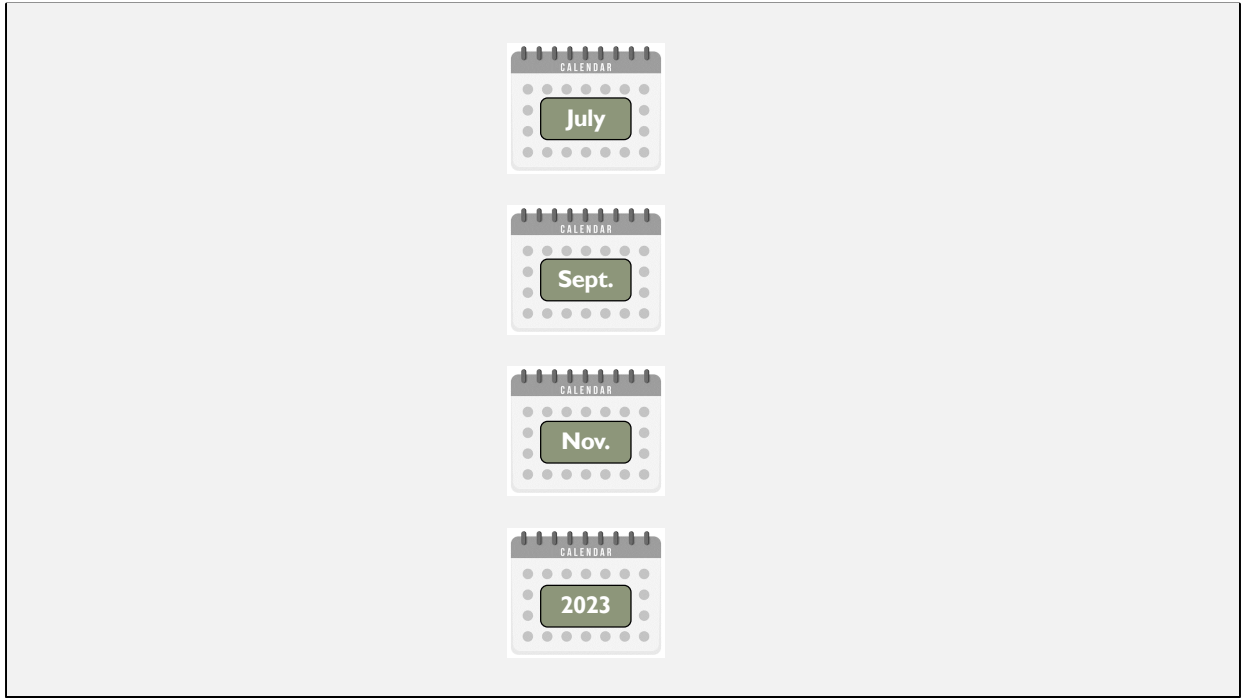
November 16-17, 2022

Bemidji State University

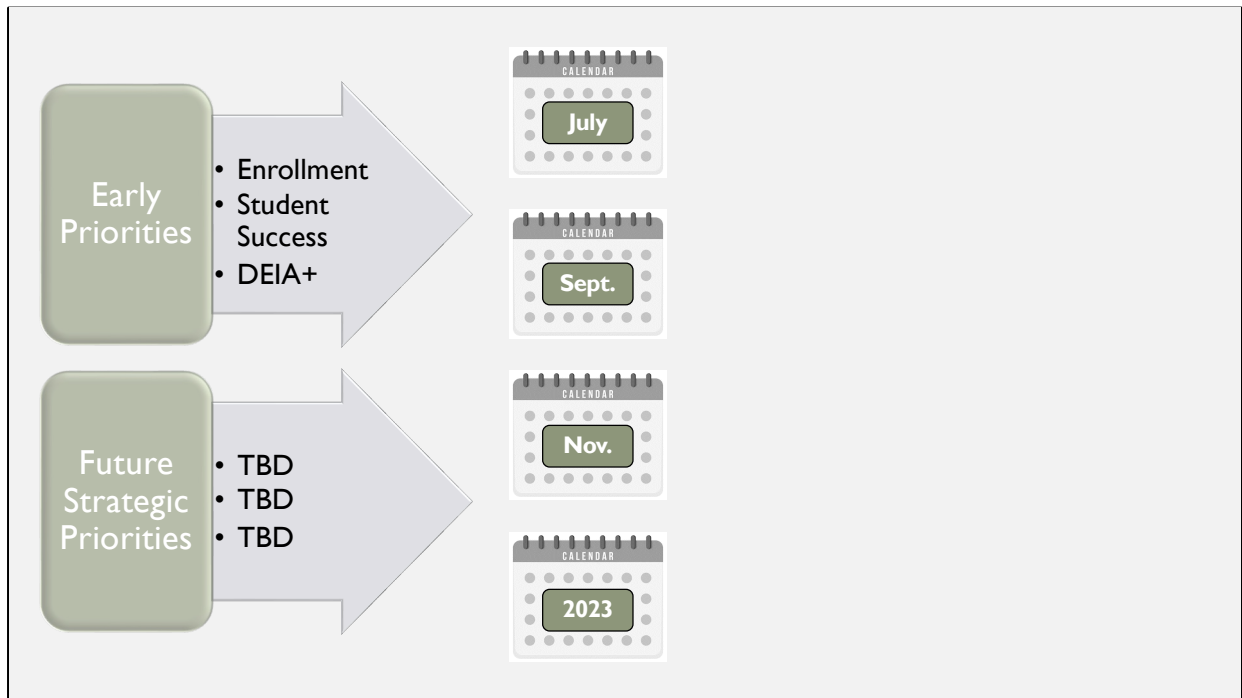


Northwest Technical College

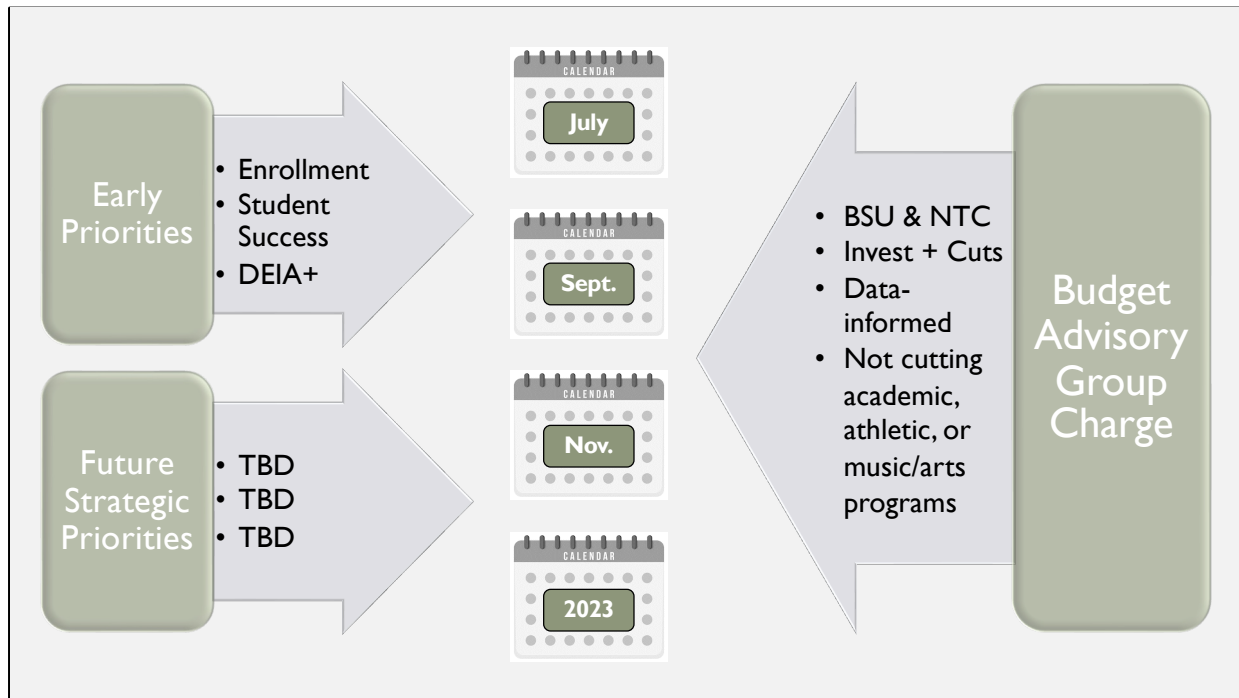
- Welcome to the first BSU/NTC budget forum for the 2022-23 academic year
- Note that we are now inviting students to participate in our forums
- Communication
 - We have tried to inform campus about decisions through several strategies:
(a) cabinet, (b) bargaining units, (c) posting cabinet outcomes
 - We need to do better – anticipate more forums in the spring semester



One of our first goals for this forum is to give you some context of what we have done since July 1 and plans for moving forward as we look to 2023



- On July 1, I shared (a) that enrollment is down, (b) that the sky is not falling now, but we will need to take decisive action this year to prevent the sky from falling in the future, and (c) our commitment to use an inclusive and transparent process to make strategic budget decisions
- On the first day of the semester, I reiterated these points and indicated that we would engage in a process of strategic investments along with strategic cuts lifting up initial priorities of (a) enrollment, (b) student success, and (c) DEIA+
- Looking to the future, we will replace and/or build on these early priorities with strategic priorities established through a strategic planning process



- A key element of our process is elevating the Budget Advisory Group
- New this year are is a BAG including individuals from both BSU and NTC
- Also new this year is the involvement of students on the BAG
- The BAG charge was shared with all bargaining units to receive feedback before the launch of the BAG
- Core elements of the BAG charge included (a) considering both BSU and NTC, (b) avoiding incremental solutions and using strategic investments paired with strategic cuts, (c) leveraging data-informed decision making, and (d) a commitment to not cut academic programs*, athletic programs, music/art programs, and/or our residential and local identity
- *This refers to the comprehensive process; it is does not include program viability concerns separate from broader budget work

SEQUENCE OF CONSIDERATIONS

1. General Cost Containment
2. Academic Course Culling
3. Operational Cuts
4. Strategic Cooling
5. Reorganization/Restructuring
6. Personnel Reductions

7. Retrenchment of Faculty/Programs

- As we consider various budget correction strategies, we are using a systematic and strategic sequence
- Note that retrenchment of faculty or programs is not currently on the table – there have been no discussions of using these strategies as a part of our solution

SEQUENCE OF CONSIDERATIONS

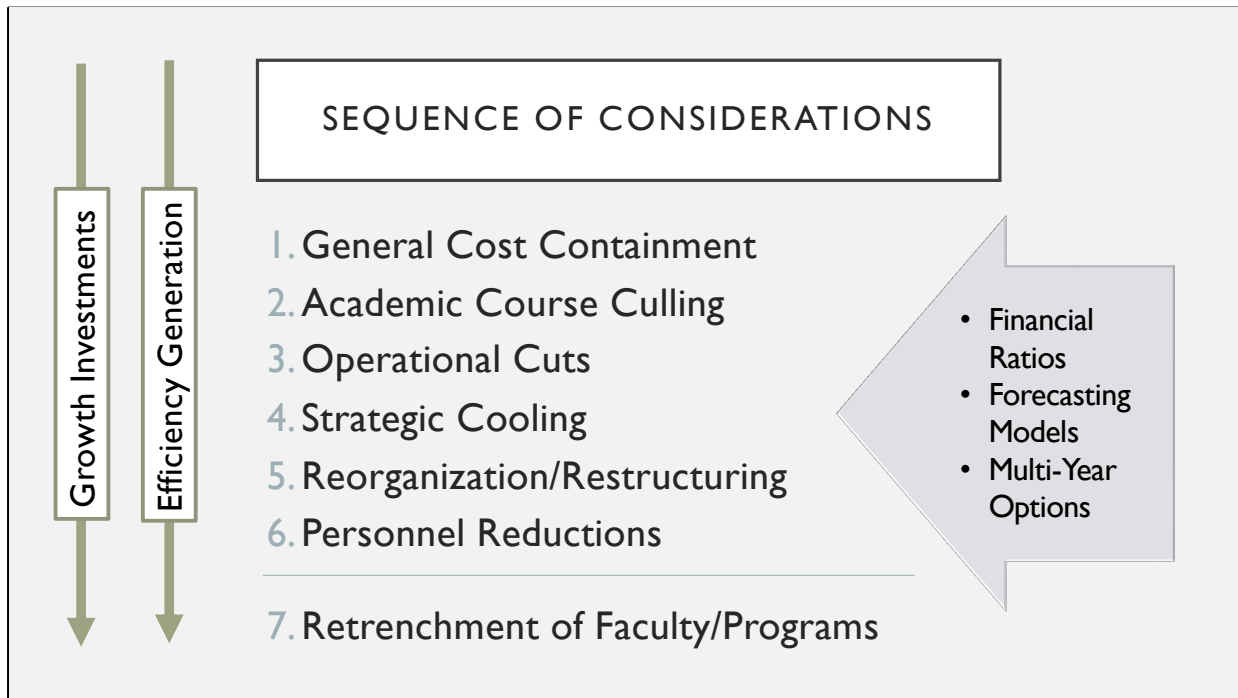
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- Financial Ratios
- Forecasting Models
- Multi-Year Options

To inform each of these, we are using several data-informed processes

- First, we utilize a series of financial ratios adopted by MN State and commonly used throughout higher education
- Related to these, we are examining trend data – both changes in our data from past years and forecasting models to help us understand scale and scope of potential decisions and their impact on the future of our budgets
- Our budgetary challenges have developed over time, so we will not solve them all in one year – we are considering various multi-year options



And throughout the process, we will continue to make investments aimed at growing revenue as well as addressing efficiencies to help us work smarter rather than harder

Our goal is not to do more with less, but instead to achieve greater focus that leads to increased outcomes

	NTC	BSU
REVENUES		
Appropriation	\$3,746,267	\$24,261,707
Tuition	\$2,895,430	\$28,019,239
Other	\$602,778	\$2,802,253
Total	\$7,244,575	\$55,083,199
EXPENSES		
Compensation	\$5,545,729	\$47,930,466
Other	\$2,441,299	\$14,606,500
Total	\$7,987,028	\$62,536,966
DIFFERENCE	(\$742,453)	(\$7,453,767)
FUND BALANCES		
Previous Balance	\$3,328,571	\$18,238,189
New Balance	\$2,586,118	\$10,784,422
Restricted Balance	\$630,479	\$6,754,160
Usable Reserves	\$1,955,639	\$4,030,262
Useable/Revenue	27.0%	7.3%

- Our core budget is a set of revenues and expenses.
- Revenues include tuition, an appropriation of state dollars allocated to us based on a formula, and a few other sources of revenue.
- Our primary expense is compensation; all other operational costs are considered in “other” here
- This shows that we are in the red for both institutions, meaning we are spending more than we are bringing in
- Fund balances are like a savings account. The difference between the previous balance and the new balance is how much we will have to borrow from savings to pay for expenses not covered by revenues.
- Within our fund balance, there are restricted dollars that we cannot spend – you might think of this as a minimum balance that you have to keep in a savings account.
- That leaves us with usable reserves. MN State wants our usable reserves to be at least 20% of our total revenues.

	NTC	BSU	Notes:
REVENUES			
Appropriation	\$3,746,267	\$24,261,707	• The MN State target for the usable reserve to revenue ratio is 20%
Tuition	\$2,895,430	\$28,019,239	• With no change, the NTC ratio will go to 11% in FY24 and -9% in FY25
Other	\$602,778	\$2,802,253	• With no change, the BSU ratio will go to -13% in FY24
Total	\$7,244,575	\$55,083,199	
EXPENSES			
Compensation	\$5,545,729	\$47,930,466	
Other	\$2,441,299	\$14,606,500	
Total	\$7,987,028	\$62,536,966	
DIFFERENCE	(\$742,453)	(\$7,453,767)	• We anticipate some increased revenues (appropriation and/or tuition) in coming years
			• We also anticipate enrollment growth
			• We cannot solve budget challenges with revenue alone
FUND BALANCES			
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When we forecast what this will mean for future years,...

- NTC would still have usable reserves next year if we took no action this year, but it would drop below the 20% target. In two years, we would spend all our reserves and have to borrow approximately 9% of revenues to keep a minimum balance in our reserves
- BSU is already below 20%, and with no change, BSU would have to borrow 13% of next year's revenue just to maintain our minimum reserves

Note that most MN State institutions are also hurting right now. In a conversation with Bill Maki, he feels good about the plan and process we have put together

- Also, we anticipate that we will receive some new revenues through either an appropriation increase (our hope) or tuition increases – something we would only consider if the state does not come through with appropriations.
- We also expect some new revenues through increased enrollment

BUDGET FORECASTING & MODELING

BSU (\$7.5M DEFICIT)

- +3.5% appropriation = \$850K
- +2.5% tuition = \$700K
- +2.5% enrollment = \$700K
- Course culling = up to \$300K
- Operational cuts = up to \$1.25M
- Strategic cooling/BESIs = up to \$2.5M
- Reorganization/reductions = up to \$2.5M

NTC (\$742K DEFICIT)

- +3.5% appropriation = \$130K
- +2.5% tuition = \$72K
- +2.5% enrollment = \$72K
- Course culling = up to \$30K
- Operational cuts = up to \$75K
- Strategic cooling/BESIs = up to \$500K
- Reorganization/reductions = up to \$300K

To address concerns, cabinet has been working with BAG on a budget forecasting model to examine the potential impact of various potential budget “levers”

- The first point is to note that we will not solve this problem in one year
- Second, while I’ve listed the potential impact of several budget levers here, the BAG is also considering their impact over time
- There are two important messages here
- First, no one lever can solve the problem by itself
- Second, we do have levers that are strong enough to fix our problem over time

Bemidji State University, First-Year Student Comparison Data

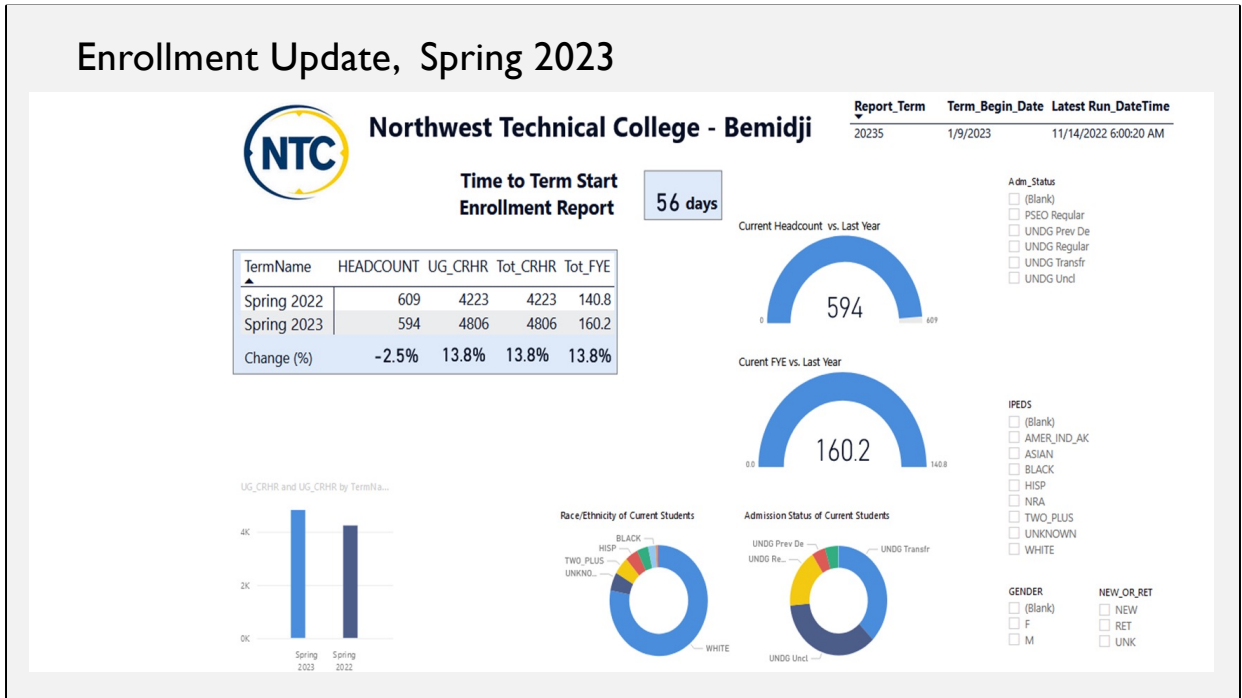
Fall 2020 - Fall 2023				
Term	Fall 2020	Fall 2021	Fall 2022	Fall 2023
Date	11/16/2019	11/15/2020	11/14/2021	11/13/2022
Applied	2,349	1,770	2,106	1,950
Accepted	1,130	1,026	945	857

The data we have at this time are preliminary, but we want folks on campus to be aware.

It would be easy to look at the decline in the number of students accepted as an indicator that next fall's enrollment will be down. It is far too early to draw that conclusion because these data do not address "yield" – the percentage of admitted students who ultimately matriculate. That said, we will continue to track these data carefully to inform decision-making.

Lastly, it is important to note that we have not yet hired new staff to the admissions department at BSU. Those hires will begin their work after we have received most of our applications for Fall 2023; thus, the impact of those new hires will likely be experienced more with the Fall 2024 class.

Enrollment Update, Spring 2023



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DANGERS & OPPORTUNITIES

BEMIDJI STATE UNIVERSITY

DANGERS/THREATS

- Inaction
- “Analysis Paralysis”
- Finger-Pointing
- “Either/Or” Thinking
- Panic
- Non-Strategic Attrition

NORTHWEST TECHNICAL COLLEGE

Dangers

- It should be clear from prior slides that we have to act now, and the more we do early, the less we will have to do over time
- We will use data-informed processes, but the data will not be perfect and they will not make decisions for us. We will have to make choices, and not of the options are easy.
- A big danger in this time is to point fingers – e.g., for one unit to spend time trying to figure out how another unit should save money. You know your units the best, and it is in the best interest of us all to focus our energy on achieving budget savings in our areas
- When stressed, it is human nature to think of things in terms of “either/or” (e.g. invest or cut, this department or that department, etc.).
- While this challenge is significant, we cannot panic. First, one rarely makes good decisions in a panic. Second, we do have a path forward, but if we only speak of the “crisis,” students and potential new employees will not want to come here and donors will not want to invest here.

DANGERS &
OPPORTUNITIES

BEMIDJI STATE UNIVERSITY

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OPPORTUNITIES

- Mission Focus
- Student Success
- BSU-NTC Collaboration
- Innovation
- Growth

NORTHWEST TECHNICAL COLLEGE

There are also critical opportunities:

- As we take steps to subtract, there’s an opportunity to enhance our focus on our core mission
- Focus on core values of student success and DEIA+ leading to improved retention and eliminated equity gaps could fix our budget issues
- We have been in alignment for 20 years, but there are many more opportunities for us to expand our reach through collaboration
- We will have to think innovatively and innovation can drive greater access, affordability, and equity
- In short, we have opportunities to grow!