

**Minnesota State Colleges and Universities  
FY2004-FY2005  
Financial Outlook**

MnSCU is requesting an increase in state appropriation of \$107.3 million for the FY2004 and FY2005 biennium. In addition to the request, MnSCU expects to receive a base adjustment due to increases in enrollment in accordance with the state funding formula. The base adjustment increase is expected to be \$66.6 million. Both of these items are new appropriations and, if approved by the legislature, will increase MnSCU's base by \$173.9 million, as shown in Table 1 below.

**Table 1 New state appropriation funds**

	<b>FY2004</b>	<b>FY2005</b>	<b>Biennial</b>
Base Estimated Formula Increases	\$39.9	\$26.7	\$66.6
Request	\$37.0	\$70.3	\$107.3
<b>Total New State Appropriation Dollars</b>	<b>\$76.9</b>	<b>\$97.0</b>	<b>\$173.9</b>

State appropriation is the largest source of revenue for MnSCU. The second largest source is tuition revenue. Table 2 shows the total funding requirements for both state appropriation and tuition. MnSCU's base state appropriation is \$1.231 billion for the biennium. Add the new state appropriation dollars sought of \$173.9 million (shown in table 1) to arrive at a total state appropriation requirement of \$1.4 billion.

Tuition is projected to be \$384 million in FY2003. Using this as a base for FY2004 and FY2005, we assume a 3% increase in each of the two years to arrive at new tuition revenue of \$34.9 million for the biennium. Add this to the projected tuition revenue base to arrive at a total projected tuition revenue for the biennium of \$814.4 million. The state appropriation and tuition revenue are added together for a total revenue requirement of \$2.2 billion.

**Table 2 Total requirements for funding MnSCU**

	<b>FY2004</b>	<b>FY2005</b>	<b>Biennial</b>
<b>STATE APPROPRIATION</b>			
FY2004 Base	615.5	615.5	1,231.0
New State Appropriation Dollars	76.9	97.0	173.9
<b>Total State Appropriation Required</b>	<b>692.4</b>	<b>712.5</b>	<b>1,404.9</b>
<b>TUITION</b>			
Tuition Revenue (Projected)	384.0	384.0	768.0
Tuition Revenue Increase @3%	11.5	23.4	34.9
<b>Total Tuition Revenue Required</b>	<b>395.5</b>	<b>407.4</b>	<b>802.9</b>
<b>Total Requirement</b>	<b>\$1,087.9</b>	<b>\$1,119.9</b>	<b>\$2,207.8</b>

Although tuition revenue is not part of MnSCU's official biennial budget request to the state, it is an important component in determining the resources available to cover costs for colleges and universities. Tuition is calculated to understand the magnitude of increase necessary to address, at the minimum, the base costs of inflation. Every 1% increase in tuition is projected to generate approximately \$3.8 million in additional revenue per year and approximately \$11.6 million over the biennium.

Looking at the budget request from another prospective, the total new revenues projected for MnSCU are \$208.8 million, consisting of the new state appropriations of \$173.9 million and new tuition revenue of \$34.9 million. The total expenditures equal the total revenue of \$208.8 million and include the allocation of the base adjustment (to be determined by the Board), an inflation request, priority programs, and repair and replacement.

**Table 3 MnSCU request in terms of new revenue and new expenditures**

	<u>New Revenue</u>		
	<b>FY2004</b>	<b>FY2005</b>	<b>Biennial</b>
State Appropriation	76.9	97.0	173.9
Tuition Revenue Increase @ 3%	11.5	23.4	34.9
<b>New Revenue</b>	<b>\$88.4</b>	<b>\$120.4</b>	<b>\$208.8</b>

	<u>New Expenditures</u>		
	<b>FY2004</b>	<b>FY2005</b>	<b>Biennial</b>
Allocation of Base Adjustment	39.9	26.7	66.6
Inflation @ 3%	33.5	68.7	102.2
Compensation	24.2	49.6	73.8
Non-Compensation	9.3	19.1	28.4
Priority Programs	10.0	15.0	25.0
Repair and Replacement	5.0	10.0	15.0
<b>New Expenditures</b>	<b>\$88.4</b>	<b>\$120.4</b>	<b>\$208.8</b>

Every 1% increase in inflation creates an additional \$11 million per year in costs or approximately \$33 million over the biennium. Since compensation comprises 72% of MnSCU expenditures, every 1% in compensation equals approximately \$8 million in additional costs per year or approximately \$24 million over the biennium.