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# **Minnesota State Colleges and Universities System and State Economic Outlook for FY2011-2013**

**Presented to the Finance and Facilities Committee -  
Board of Trustees  
September 14, 2010**



# Update on budget planning

- Board approved fiscal year 2011 operating budget and tuition rate increase
- Budget planning for fiscal year 2012-2013 underway since January 2010
- Planning framework provided to colleges and universities
- Preliminary budget decisions being made this fall based on best information available



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# State economic outlook

	<b>End-of-Session <u>May 2010</u></b>
(\$ in millions)	
Revenues	\$33,179
Expenditures	<u>\$38,945</u>
<b>Difference</b>	<b>(\$5,766)</b>

***Planning estimates assume:***

- *Complete repayment of the K-12 aid deferral. Delaying repayment would save \$1.173 billion.*
- *No repayment of the K-12 property tax recognition shift. Repayment would cost \$576 million.*

Source: Minnesota Management and Budget, General Fund – Fund Balance Analysis, End of 2010 Legislative Sessions, June 11, 2010.



# System 2012-2013 budget planning framework

- Appropriation: \$594.4 million base starting point (Governor's supplemental budget recommendation); modeling further appropriation reductions
- Tuition: no cap on rate increases but expectation of reasonableness
- Inflation: recognize at CPI (current estimate 1.5 percent for 2012 and 1.4 percent for 2013); modify for local conditions
- Federal stimulus funds: none



# System 2012-2013 appropriation modeling

(\$ in millions)	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2013</u>	<u>Biennium</u>
Fiscal year 2011 funding level	\$605.5	\$605.5	\$1,211.0
Supplemental Omnibus Higher Education Bill (2012-2013 forecast base)	\$630.4	\$630.4	\$1,260.7
<i>change from fiscal year 2011</i>	\$24.9	\$24.9	\$49.7
<b>System planning assumption (bookend 1)</b>	<b>\$559.4</b>	<b>\$524.4</b>	<b>\$1,083.8</b>
<i>change from fiscal year 2011</i>	<b>(\$46.1)</b>	<b>(\$81.1)</b>	<b>(\$127.2)</b>
	-7.6%	-13.4%	-10.5%
<i>change from forecast base</i>	<b>(\$71.0)</b>	<b>(\$106.0)</b>	<b>(\$176.9)</b>
	-11.3%	-16.8%	-14.0%
<b>System planning assumption (bookend 2)</b>	<b>\$524.4</b>	<b>\$454.4</b>	<b>\$978.8</b>
<i>change from fiscal year 2011</i>	<b>(\$81.1)</b>	<b>(\$151.1)</b>	<b>(\$232.2)</b>
	-13.4%	-25.0%	-19.2%
<i>change from forecast base</i>	<b>(\$106.0)</b>	<b>(\$176.0)</b>	<b>(\$281.9)</b>
	-16.8%	-27.9%	-22.4%



# System 2012-2013 budget planning assumptions

- *Appropriation:* \$559.4 million in fiscal year 2012 and \$524.4 million in fiscal year 2013 (bookend 1)
- *Tuition:* 5 percent rate increase each year (no volume change)
- *Inflation:* CPI at 1.5 percent each year for both compensation and other operating costs



# System 2012-2013 budget planning outlook: revenues

(\$ in millions)	<u>Fiscal</u> <u>Year</u> <u>2011</u> <u>(base)</u>	<u>Fiscal</u> <u>Year 2012</u> <u>Revenue</u> <u>Change</u>	<u>Fiscal</u> <u>Year 2013</u> <u>Revenue</u> <u>Change</u>	<u>Biennium</u> <u>Total</u>
State appropriation	\$605.5	(\$46.1)	(\$35.0)	(\$127.2)
Tuition (5 percent rate increase)	\$790.3	\$39.5	\$41.5	\$120.5
Other	\$128.0	\$0.0	\$0.0	\$0.0
<b>Simulated New Revenue</b>	<b>\$1,523.8</b>	<b>(\$6.6)</b>	<b>\$6.5</b>	<b>(\$6.7)</b>

The revenue outlook is based on a set of “what if” assumptions and is not meant to be an estimate of what will be the actual revenue for 2012-2013.



# **System 2012-2013 budget planning outlook: expenses**

- “Fixed” compensation costs - \$55 million
  - “Tails” from fiscal year 2011 step increases for classified employees and mid-year employer health insurance rate increase of 6.7 percent
  - Projected employer health insurance rate increases of 16.5 percent in January 2012 and 8 percent in January 2013 (under current state health insurance program)
- Inflationary cost increases at CPI (1.5 percent each year) - \$68.5 million
  - Compensation - \$49.9 million
  - Other operating costs - \$18.6 million





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# System 2012-2013 budget outlook

	<b>Biennial <u>Total</u></b>
(\$ in millions)	
<b>Estimated New General Fund Revenue</b>	<b>(\$6.7)</b>
Plus “fixed” compensation costs	\$55.0
<b>Budget gap</b>	<b>(\$61.7)</b>
Plus compensation increases at 1.5% each year	\$49.9
<b>Budget gap</b>	<b>(\$111.6)</b>
Plus other operating inflation at 1.5% each year	\$18.6
<b>Budget gap</b>	<b>(\$130.2)</b>

The budget outlook combines a set of revenue and expense assumptions.



# **System 2012-2013 “emerging” biennial operating budget proposal**

- “Emerging” proposal would have the Chancellor requesting the forecast base in current law of \$1,260.7 million, an increase of \$49.7 million over the biennium above current fiscal year 2011 funding level
- No further request for resources above the forecast base



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# **System 2012-2013 “emerging” biennial operating budget proposal (cont.)**

<b>(\$ in millions)</b>	<b><u>2012-2013 biennium</u></b>
2012-2013 forecast base under current law	\$1,260.7
Fiscal year 2011 base funding doubled	<u>\$1,211.0</u>
<b>Increased appropriation under current law</b>	<b>\$49.7</b>
Tuition revenue (5 percent rate increase each year)	<u>\$120.5</u>
<b>New revenue</b>	<b>\$170.2</b>
Inflationary cost assumptions	<u>\$123.5</u>
<b>Balance of new revenue</b>	<b>\$46.7</b>



# **2012-2013 biennial operating budget request timeline**

- Chancellor presents biennial budget recommendation to Board for action – November
- Board approved request submitted to Minnesota Management and Budget – November
- Governor's 2012-2013 biennial budget recommendation released – by February 15, 2011
- 2011 legislative session begins – January 4, 2011



## Next steps

- Continue multi-year budget planning, adjusting assumptions as more information becomes available
- Preliminary budget decisions will be made – meeting faculty/staff notification timeline
- 2012-2013 biennial operating budget request presented to Board in November for action