

## **University of Minnesota, Crookston Fall 2008 Campus Assembly**

Welcome to the Fall 2008 Campus Assembly. In four weeks, we'll be at the end of the semester. As they say, "Where does the time go?"

It's been a good semester with a record number of students, many new faculty and staff, and a continued upgrade of classrooms and laboratories. Our momentum documents the commitment of all of you – commitment that I appreciate, commitment that our students appreciate, and commitment that will serve us well into the future.

Time doesn't allow acknowledging everyone and everything. The quality of our entering freshmen is worth noting, and the fact that more students are taking 15 or more credits, will help us meet our graduation rate goals of 40% in 4 years, 50% in 5 years, and 55% in 6 years.

Also worth noting is the return of so many alumni to campus for Homecoming and the dedication of the Sargeant Student Center at the end of September. A month later, nearly 200 attended the Torch and Shield Award program and dinner. And, before winter set in, we started construction of a new residence hall that will be LEED certified –the first building on campus with that designation. Plus, I must mention that our athletic teams, while not winning as much as we'd like, are more competitive. In another competitive venue, our horticulture students placed first at the mid-America Collegiate Horticulture Society competition in Maryville, Missouri.

Moreover, and what really inspires on a daily basis is the engagement of faculty in the classrooms and laboratories across campus. That commitment to excellence coupled with the support from staff yields a campus community with energy and enthusiasm – the momentum I have been talking about all semester.

I want to thank everyone here today for helping to create and sustain this momentum, and for your many contributions to the campus. It is deeply appreciated.

I'm optimistic about our collective future as a campus of the University of Minnesota. At the same time, I'm paying close attention to the current financial situation locally, nationally, and globally. Like never before, we are a global society, and what happens around the world affects us as much as what happens across Minnesota.

I have met with members of the Cabinet, Executive Team, Faculty Consultative Committee, Department Heads, and several people one-on-one to communicate information about the campus budget. Other meetings and discussions are scheduled. President Bruininks has sent several messages which have been forwarded on to the groups I've mentioned.

The news about the potential for a state budget shortfall isn't good. Some believe the situation will be as difficult or worse than 2003. It's a sobering thought to me, and I'm sure to you.

I want to cover three points about the situation.

1. Information about our budget for 2008-2009
2. Steps President Bruininks has taken, and
3. How we will move forward for 2009-2010, and beyond.

First, the budget for 2008-09

As I've discussed on a number of occasions, the new Enterprise Financial System (EFS) has until recently been unable to provide us with June 30, 2008 year-end balances or current balances. We now have some of that information. The portion of the budget that is most important for us is the state allocation of \$12,400,000 and tuition and fees of \$ 8,500,000 for a total of just under \$ 21 million. Of this amount, about \$ 13 million is for employee salary and fringe costs or about 62% of our budget. This does not include employee costs in auxiliary units like dining services or residential life.

The other costs against the \$ 21 million include:

1. Cost pool – charges for central services at \$ 3.2 million
2. Facilities – maintenance, operations, heat, electricity
3. Technology support
4. Supplies and equipment for unit operations

Over the past three years, we have been able to maintain a balanced budget primarily through increases in tuition revenue. It's important to recognize that we probably will not be able to continue to increase enrollment at the rate we have these past two years. Briefly, let me review the impact of increased enrollment on tuition revenue for 2008-09.

We have about 60 additional students this fall as compared to fall 2007. We budgeted for the same number of credit hours as we had last year. The financial impact of additional credit hours from summer and fall 2008 is about \$ 450,000. We anticipate about \$ 250,000 in additional tuition revenue for spring 2009 – which we will use to cover cost pool increases, support for maintenance, fuel and electricity, salary for unassigned instruction, and some needed one-time investments.

### Budget Summary

My second message today is to share with you what I know about steps that President Bruininks is taking. There are four.

The first message from President Bruininks is that the 2010-2011 FY legislative request will include compensation for faculty and staff at \$ 95.2 million, scholarships for middle income students at \$ 10 million, and support for research infrastructure at \$ 30 million. Total for 2010-2011 Biennium - \$141,200,000.

The second message from President Bruininks is that on October 27, he required mandatory approval of hires replacing those who are taking the retirement incentive

option. For us it means that filling open positions will require approval from Senior Vice President Robert Jones.

The third message from President Bruininks is that on November 10, he implemented a hiring pause on all open positions, with some of the decision process at the campus level.

The fourth message on November 14 was an announcement of a salary freeze for many senior administration positions across the University for 2009-2010.

Let me now move to the important subject of next steps for us.

We are making progress in accessing budget information that will help inform our decisions. I want to acknowledge the work of everyone in the business office in dealing with a very difficult situation. I have confidence in the work they are doing. We are working closely with department heads on a zero based budget, which means that all budgeted items are up for review. I can't overstate how careful I am about reviewing all budgets and all expenses, including positions. Being careful means I will meet with governance groups to seek ideas and suggestions as more information is available. Part of the process – an important part – is to review compact proposals which are due December 1. The compact process is important even though I expect resources will be limited.

A few final thoughts.

1. We are early in the process. We are not in panic mode by any means. We have several months to respond to news – both good and bad. Be assured that under President Bruininks, the University has steady leadership, and is not overreacting to any single event.
2. We will do all we can to maintain the investment we have in our faculty and staff.
3. We must keep focused on our students. If we are successful in recruiting, retaining, and graduating students, we will continue to position the campus for the future.
4. We have a strategic plan that will inform our decisions and guide our investments.
5. Estimates of the state budget shortfall are \$ 3-6 billion.
6. State agencies are instructed to plan for reductions of 5, 10, and 15%.
7. In 2003 there was a 14.5% tuition increase, and again in 2004. President Bruininks is proposing a 4.5% tuition increase for 2009 and 2010.
8. A 1% reduction in our budget will represent about \$210,000.
9. Reserves can only be used one time, but reserves may help us implement transition strategies.
10. And, the most important point of my remarks today is to emphasize that we will continue to work together to find solutions to the challenges we face.

**Thank you for your attention and support.**

University of Minnesota, Crookston  
 Summary of FY09 Budget  
 General Operations & Maintenance Funds Only

<u>Description</u>		<u>Notes</u>
<b>FY08 year-end balance</b>	<b>3,708,000</b>	
Academic Affairs (Academic Departments, Center for Adult Learning, Media Services, Technology, Tuition Reserve, Unassigned Instruction)	1,862,000	
Chancellor's Office	1,141,000	
Business Affairs	476,000	
Student Affairs	168,000	
University Relations	61,000	
<b>FY 09 Revenue</b>		
State Allocation	12,400,000	
Tuition - estimate	7,300,000	
University Fee - estimate	<u>1,200,000</u>	
total	<b>20,900,000</b>	
1% retrenchment	210,000	
<b>FY 09 Expenditures</b>		
Salaries & Fringe & Admin Fee	13,125,000	
Cost Pool	3,200,000	
Supplies, Services, Leases & Misc Exp	1,750,000	
Student Aid (U Grant, Founders Scholarship, Athletic Scholarships, Work-study Match, Presidential Scholarship)	1,545,000	
Repairs & Maintenance	550,000	
Utilities	<u>730,000</u>	
	<b>20,900,000</b>	
Retirement Incentive Option Program		
Salary & Fringe (6)	350,000	
Positions Filled (2)	75,000	
FY 10 Estimates		
Salary & Fringe	400,000	
Tuition 4.5% Increase	570,000	