Background on FY12 – FY13 Challenges
The University System’s budget for our current biennium includes $17.6 million of (tuition mitigation) Federal Stimulus Funds that we have been told will not be “backfilled” with State funds in the next biennium; and, the Regents have said that they will not support a tuition rate increase to generate revenues for this purpose. So, beginning with MSU’s FY12 budget, we will have nearly $3.0 million less in State funding.

The State’s overall budget for this biennium was based on a set of revenue projections that anticipated a slight decline (from FY09) in total revenues, and utilized a significant amount of Federal Stimulus dollars for Base budget commitments. For the first quarter of our new fiscal year however, State revenues are down significantly. OCHE staff have advised us that the State budget anticipated a decline of about $7.0 million for this quarter, but recorded a decline of $75.0 million, which is over 25% of the State’s projected $282.0 million budget surplus.

If this decline in State revenues continues into succeeding quarters, this will jeopardize the continuation of MSU’s current level of Base State funding into the FY12 biennium.

The Management Plan: to be Presented at the November 19th Regents Meeting
When the Board Chair and Commissioner announced to the CEOs and CFOs that the loss of tuition mitigation funds would not be backfilled with State funds in FY12-FY13, they asked that each University prepare a presentation for the November Regents meeting which would outline the campus Management Plans for absorbing the loss of these funds. The Regents want the campuses to have their FY12-FY13 Plans fully developed during this biennium, so that all necessary changes and reductions can be in place on July 1, 2011.

Statements our Regents made in regard to this situation included the following:
- We are facing a cliff, held off by the Stimulus Funds – and we must fundamentally change or reform to avoid going over the cliff.
- Reform isn’t just cutting budgets – it needs to be more like reinvention. We are already the most efficient system in the nation – so we can’t cut to become better.
- We need to maintain our academic excellence and not dumbing down our product.
- We need to discover ways to maintain our quality, or improve it, but in a different way.
- At the same time, we need to increase the volume of our degree production in the next several years.

The Regents’ vision of these Management Plans included the following components:
- Enrollment growth;
- Program efficiencies;
- Budget reductions; and,
- Reform – including concepts such as:
  - 4-Campus efficiencies in such areas as IT, business services and academic programs;
  - Distance education;
  - Night classes; and,
  - Retention.

The November presentation for the Regents is expected to be little more than a summary of concepts – and that is all that MSU will be prepared to present. The UPBAC Workgroup is developing a set of suggestions for the Management Plan – but we will not be ready to recommend any detailed decisions for some time.