State Budget and its Impacts on Mines

Faculty Conference
August 23, 2010

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Senior Vice President for Finance and Administration
Agenda

- State of Colorado budget overview
- Recent recession
  - Impact to Higher Education
  - Impact to Mines
- Overview of Mines fiscal year 2011 budget
- Future Financial outlook
- State Senate Bill 10–003
97% of Colorado’s $7.5 billion general fund budget is devoted to just five areas of service, mostly restricted:

- 43.3% K–12 education; Restrictions
- 21.2% Health Care policy and Financing; Restrictions
- 9.0% Human Services; Restrictions
- 14.7% Corrections, Public Safety and Judicial; Restrictions
- 8.8% Higher Education; Unrestricted
Recession
Recession – National and in Colorado and its impact on higher education

- Early 2008 – National Economy began to show signs of stress.

- December 2008 – Colorado economists first reported signs of decline and projected a revenue shortfall.
  - State Budget shortfalls due to decreases in revenue primarily from less personal income tax and capital gains tax.

- By June 2009, Colorado had been allocated State Fiscal Stabilization Funds (SFSF) from the federal American Reinvestment and Recovery Act.
  - The state then cut Higher Education $150 million and backfilled with SFSF to help cover overall state deficit – higher ed kept “whole”
Recession – National and in Colorado and its impact on higher education

- **Fiscal Year 2010** – With the state projecting more budget shortfalls, another $250 million cut from higher ed, but again, backfilled with SFSF – higher ed kept “whole”.

- **Fiscal Year 2011** – SFSF dollars ($400m) run out for higher ed.
  - State then replaces $250 million of SFSF with “one time” cash reserves, leaving $150 million as a “real” cut.

- **Fiscal Year 2012** – State is projecting budget deficit to exceed $1.5 billion.
  - Further cuts to Higher Education of $300 million are anticipated.
Higher Education Funding

Department Of Higher Education State Funding

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>General Fund</th>
<th>State Fiscal Stabilization Funds (SFSF)</th>
<th>One Time State Cash Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 06</td>
<td>$555.3</td>
<td>0</td>
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<tr>
<td>FY 07</td>
<td>0</td>
<td>$602.0</td>
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<td>$706.0</td>
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<tr>
<td>FY 12*</td>
<td>$255.3</td>
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</tbody>
</table>

*anticipated
Funding per Student FTE

- CSM Resident Tuition Rate & State Funding per Student FTE

2001 Inflation Adjusted: $16,914
What actions has Mines taken to date to address the state budget cuts?

- Budget management measures taken since October 2008:
  - Non-academic faculty hiring freeze/management
  - Salary freezes
  - Administrative travel restrictions
  - Facility inventory and purchasing controls
  - Abolished certain vacant position
  - Opted out of the state Procurement Code
State Capital Budget

- State Funding for higher education capital has been dramatically reduced
  - Most recent funding was $6.7 million in November 2008 for the Brown Hall addition
  - Future funding not anticipated

- State Funding for higher education facility controlled maintenance has been dramatically reduced
  - Funds rescinded in fiscal year 2010
  - No funds allocated in fiscal year 2011
  - We began to include controlled maintenance to our budget in 2010
Mines Fiscal Year 2011 Budget
Total Revenue Budget Fiscal Year 2011

- Total Revenue; $202.9m
  - Tuition and Fees, net – $89.2m
  - Grants and Contracts – $52.5m
  - State Support – $18.8m
  - Indirect Cost Recovery – $8.7m
  - Auxiliary – $13.7m
  - Contributions – $11.8m
  - Other – $5.2m
Total Expense Budget Fiscal Year 2011

- Total Expenses: $192.3m
  - Instruction – $50.9m
  - Research – $51.6m
  - Academic Support – $12.0m
  - Student Support – $4.0m
  - Institutional Support – $11.0m
  - Auxiliary – $16.3m
  - Operations and Maintenance – $16.9m
  - Scholarships & Fellowships & other CSMF restricted spending – $22.0m
<table>
<thead>
<tr>
<th>Fiscal Year 2011 Budget Proposal</th>
<th>Current Unrestricted Fund</th>
<th>Foundation, Restricted and Other Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>$ 125,544,584</td>
<td>$ 77,366,440</td>
<td>$ 202,911,024</td>
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<tr>
<td><strong>Expense</strong></td>
<td>$ 121,603,938</td>
<td>$ 70,705,580</td>
<td>$ 192,309,518</td>
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<tr>
<td><strong>Reserve</strong></td>
<td>$ 3,500,000</td>
<td>$ -</td>
<td>$ 3,500,000</td>
</tr>
<tr>
<td><strong>Net Activity</strong></td>
<td>$ 440,646</td>
<td>$ 6,660,860</td>
<td>$ 7,101,506</td>
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</tbody>
</table>
Current Unrestricted Fiscal Year 2011 Budget Additions

- **Revenue increase of $4.9 million**
  - Tuition: $7.8 million
    - 950 Incoming Freshman and Transfers
    - 9% resident tuition increase; 5% non-resident
  - State Funds: ($4.4 million)
  - Other: $1.5 million

- **Expense increase $6.8 million**
  - Employee benefits, utilities, debt service, etc.: $2.1m
  - Scholarships and Fellowships: $1.9 million
  - Positions: $1.8m
  - Research support and Other: $1.0 million
14 new academic faculty positions

7 new non-academic faculty positions (7 more positions approved but put on hold)
- Academic and Research Support – 5 positions
- Student Support ($103,190) – 1 position
- Institutional Support ($161,703) – 1 position
Academic Faculty Headcount

The chart above illustrates the distribution of academic faculty headcount across different terms from FY00 to FY11 estimated. The chart categorizes faculty members into five levels: Professor, Assoc. Professor, Asst. Professor, Lecturer, and Instructor. Each term is represented by a distinct category on the x-axis, and the y-axis indicates the faculty headcount.

- **Professor**
- **Assoc. Professor**
- **Asst. Professor**
- **Lecturer**
- **Instructor**

From FY00 to FY11, the number of professors has remained relatively stable, with a slight increase towards FY11 estimated. The number of assoc. professors has shown a steady increase over the years. Asst. professors have also shown a gradual increase, with a significant rise towards FY11 estimated. Lecturers and instructors have seen more fluctuation, with a notable increase in the number of instructors towards FY11 estimated.

The data indicates a steady growth in the overall faculty headcount, with significant increases in the number of instructors and assoc. professors, and a slight increase in the number of professors.
Adjunct Expenditure History

Adjunct Expenditures

FY 02  FY 03  FY 04  FY 05  FY 06  FY 07  FY 08  FY 09  FY 10  FY 11 Proposed

$-$  $500,000  $1,000,000  $1,500,000  $2,000,000  $2,500,000  $3,000,000

Proposed
Graduate Student Support

Graduate Support/Revenue

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Support</th>
<th>Revenue</th>
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<tbody>
<tr>
<td>FY 03</td>
<td>$1,000,000</td>
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<td>FY 04</td>
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<td>FY 07</td>
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<td>$14,000,000</td>
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<tr>
<td>FY 10</td>
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<td>$16,000,000</td>
</tr>
<tr>
<td>FY 11*</td>
<td>$9,000,000</td>
<td>$18,000,000</td>
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*proposed
Future Financial Outlook
Fiscal 2012 Budget (and beyond)

- State support is highly uncertain
  - Likely additional state budget deficit – current projection $1B to $1.5B
    - How much of the deficit coverage will need to come from higher education?
      - Discussions have been possibly $100M to $300M additional cut to higher education
  - What will be Mines’ share of the total higher education budget?
    - Our current share is 3.3% of the total higher education budget
    - Due to possible new funding allocations, our share could be reduced
CSM State Funding

General Fund and Stabilization (SFSF)

Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>General Fund</th>
<th>Fed Stabilization (SFSF)</th>
<th>One Time State Cash Sources</th>
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<tbody>
<tr>
<td>FY 01</td>
<td>$20</td>
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<tr>
<td>FY 02</td>
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<td>FY 12*</td>
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Planning for the Uncertainty

- Holding back on certain approved FY2011 budget items
- Continue hiring freeze/management
- Holding back a % operating expenses
- Assessing any/all revenue generating and expense reducing scenarios

Will likely not know “fate” of Fiscal Year 2012 until Spring 2011
Senate Bill 10–003
Most significant higher education legislation since College Opportunity Fund legislation (SB04–189)

Response to fiscal situation. Legislative Declaration: The general assembly hereby finds that the on-going economic challenges facing the state continue to force drastic cuts in all areas of the state budget, especially in funding for higher education....
SB10–003 Major Topics (CCHE 08/10/10)

› Tuition Flexibility
  – Institutions can raise resident tuition 9% without gaining state permission. Any increase over 9% requires state approval.
  – Mines falls under the 9% rules, however, sunsets in 5 years.

› Master Plan
SB10–003 Major Topics (CCHE 08/10/10)

- **50% Reduction Plan**
  - Higher Education must submit report by November 1, 2010 how it will deal with a cut of 50% in state support

- **Financial Aid Flexibility**
  - More flexibility in amount and kind of aid provided to students

- **Fiscal Rules/Operation Flexibility**
  - Once institutions create their own board approved financial policies, the state fiscal rules do not have to be followed
QUESTIONS?