On Dec. 2, 2010, the Minnesota Department of Management and Budget released the November economic forecast and projected a deficit of approximately $6.2 billion (for details see the Minnesota Office of Management and Budget summary). The good news is that we do not expect an unallotment during the remainder of this biennium. The more challenging issue is that budget projections are not improving, and economic recovery is still expected to be slow both in Minnesota and in the nation.

For the past year, we have been preparing our budget plan for FY 12-13 based on the assumption of a $5.8 billion overall deficit and a decrease in the state appropriation to the Minnesota State Colleges and Universities of around $100 million. For Winona State, a reduction of that magnitude translates into approximately $5 million for the next biennium ($2.5 million/year). Thanks to the hard work and shared sacrifices of the entire WSU community, we have identified a combination of cost reduction and additional revenue to reach that target for FY 12.

We will provide more detail on what we have accomplished together at the open budget forum scheduled for Jan. 20, 2011. At that time, we will also explain the options that we can pursue as the budget outlook for the next biennium becomes more focused.

At this point in the budget development process, we can only make working assumptions about what the next biennial appropriation will be for MnSCU and what our share of that reduction may be. Given the moderate increase in the state deficit, it is prudent to plan for reductions beyond what we have already been planning for this year.

As we move forward, there remain many variables that will affect our final FY 12-13 budget:

- How the deficit will be distributed among various Minnesota state agencies
- Payback of $1.9 billion in budget shifts
- Salary settlements
- Tuition caps
- Condition of the state and national economies

While it remains to be seen how these variables will influence our final FY 12-13 budget, we believe it is necessary to anticipate further reductions. We have therefore adjusted our planning target from $2.5 million/year to $3.8 million/year for the next biennium. We have shifted our planning model to reflect the latest estimates of the economic condition and the changes in the make-up of state leadership.

Planning for an additional $1.3 million reduction allows us to create as much flexibility as possible while we await the release of the Governor’s budget, the legislative response to that budget and the February
economic forecast that will be released in early March. **We may well have to make further changes in our targets and our strategies as our budget situation becomes clearer.**

**In January, we will begin working on a plan to manage the $1.3 million/year reduction in our general fund support.** As we have done for the past three years, we will approach this next round of planning using the **budget principles** developed by the All-University Finance and Facilities Advisory Committee in 2008. We will continue to test every budget strategy and the decisions that will accompany each strategy by applying our five-point test with minor changes in emphasis to reflect the task ahead of us.

a. What will be the impact of this strategy on our attractiveness to potential students?
b. What will be the impact of this decision on the success of our current students?
c. Will this protect and, if possible, enhance the quality and integrity of our academic core?
d. Will this allow us to generate additional revenue for investing in our future?
e. If we do this, have we found the best way to do so or should we look for other ways to accomplish our goals?

As we move deeper into our planning for FY 12-13, we have limited options remaining. Among the most constructive choices we have identified are:

(a) to accelerate our faculty-led plan to streamline the University Studies Program to make it more attractive to transfer students by bringing it into compliance with the Minnesota Transfer Curriculum, and satisfying our commitment to our accrediting agency

(b) to continue to reposition our approach to Summer Session to generate additional revenue and provide attractive options for students

(c) to maintain a robust enrollment by attracting students, continuing our efforts to improve student retention and graduation rates, and by developing an attractive portfolio of graduate and professional programs.

These efforts alone may not be sufficient.

As I have said throughout this process, we regard retrenchment and lay-offs as a last resort. However, under the conditions we now face, we must seriously begin to consider this option and be prepared to undertake retrenchment and layoffs if necessary. We have already conducted a preliminary scan of our academic programs and support services and have sought ways to deliver high quality programming and services at a lower cost. **We may not have to resort to retrenchment and layoffs, but we need to be prepared to do so, if we have no other options.**

We know this has been a trying period for our entire campus community, and we appreciate your continued commitment to Winona State even in times of uncertainty. You helped us determine how we could maintain the integrity of the institution and meet the initial budget cuts. **Please continue to offer suggestions about how we can reduce our costs of operation and generate much-needed revenue by submitting your ideas through the budget suggestion box.**
Judith A. Ramaley

President