

From: [Ellinghuysen, Scott](#)
To: [AllEmployees](#)
Subject: All University Financial Update - 12/4/16
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Dear Colleagues,

As Fall Semester winds down, I would like to take a moment to give you an update on university financial issues.

FY18 Budget Deficit – 1%, 3% and 5% Budget Reductions

The President's Cabinet will begin reviewing the 1%, 3% and 5% budget reductions this week. A budget plan will be produced that will then be forwarded to the all-university finance and facilities committee for their consideration in January. Following their input and recommendation, the finance and facilities committee will host all-university budget forums in February/March. Based upon current data, the University is looking to reduce in excess of \$3 million dollars from the FY18 base budget. This number will fluctuate this spring as items such as enrollment, state appropriation and negotiated contract settlements begin to clarify.

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BESI (Board Early Separation Incentive)

The most frequently asked question concerning the budget I receive is when will we be offering another BESI. When a BESI was offered in 2010, it was funded through Federal stimulus dollars. In 2014, when BESI was last offered, the University had a large enough fund balance that we could offer it with our own budget. We have reviewed our fund balance and after making some projections, we are comfortable in saying that we will **NOT** be offering a BESI through the 2020 fiscal year.

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State of Minnesota Economic Forecast

Minnesota Management and Budget (MMB) released an updated economic forecast on Friday and it showed the State has a surplus of \$1.4 billion dollars. While this is good news, it still remains to be seen what the surplus will mean in the upcoming legislative session, scheduled to begin on January 3rd, 2017. Following the election in November, the Senate and House in Minnesota will be controlled by the Republicans, while the Governor continues to be Democrat Mark Dayton. This split government control will require compromise from all sides in order to pass a biennial budget for the State. Potential additional good news related to the surplus is renewed talk and conversation about a special session to address the bonding bill which hopefully includes our Education Village project.

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FY17 Budget Deficit – Current Year

The current year deficit will have to be resolved through one time measures. Cabinet has made a carryforward recommendation to the Finance and Facilities Committee that they are currently reviewing. The results of the carryforward recommendation and anticipated salary savings and other one-time savings initiatives should allow the University to balance its budget in the current year.

Minnesota State Allocation Model Changes

The internal allocation model that Minnesota State uses to allocate state appropriation from the

Legislature to the campuses has recently undergone some changes that were approved by the Minnesota State Board of Trustees. Simulations run by Minnesota State show the allocation model changes shift about \$1.54 million in funding from the 4 year schools in Minnesota State to the 2 year schools. This simulation also show a decrease in WSU's allocation by about \$340,000. Another significant change in the model is how the system will recognize debt service (principal and interest payments) for large capital projects. The previous split of payments was 2/3 by the State of Minnesota, 1/6 by the Minnesota State system office and 1/6 the campus responsibility. The newly approved split will be 2/3 by the State of Minnesota and 1/3 by the campus.

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