



FY22 State Budget Advocacy Update

Reimagine **possible**

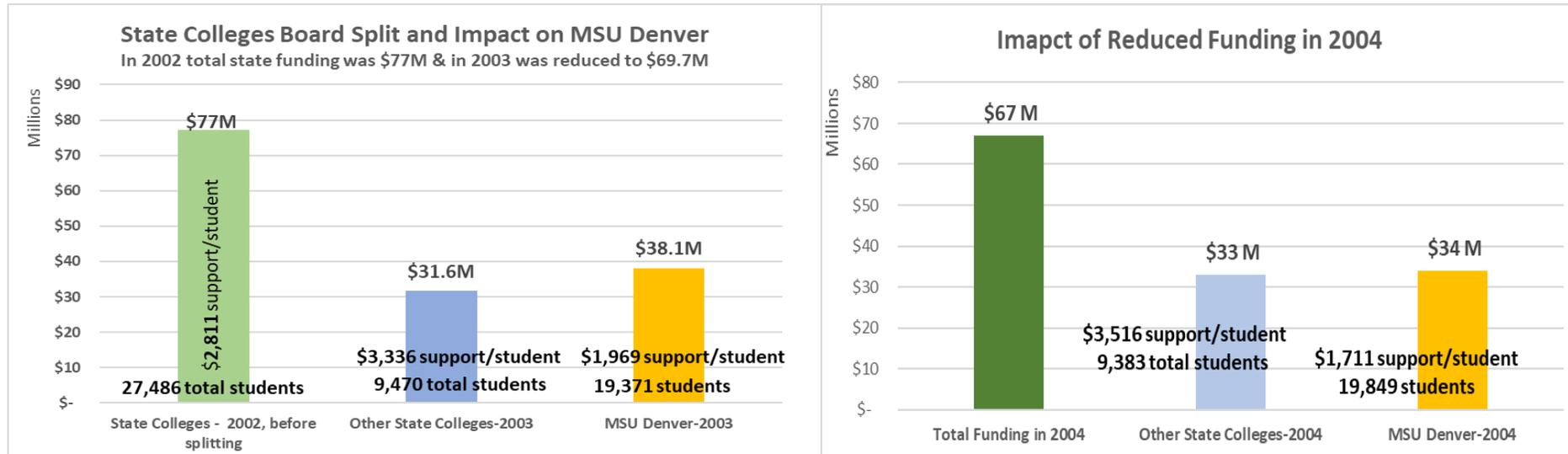
February 9, 2021

Board of Trustees Special Finance Committee

Split of Several Colorado Colleges Resulted in State Support Reduction to MSU Denver

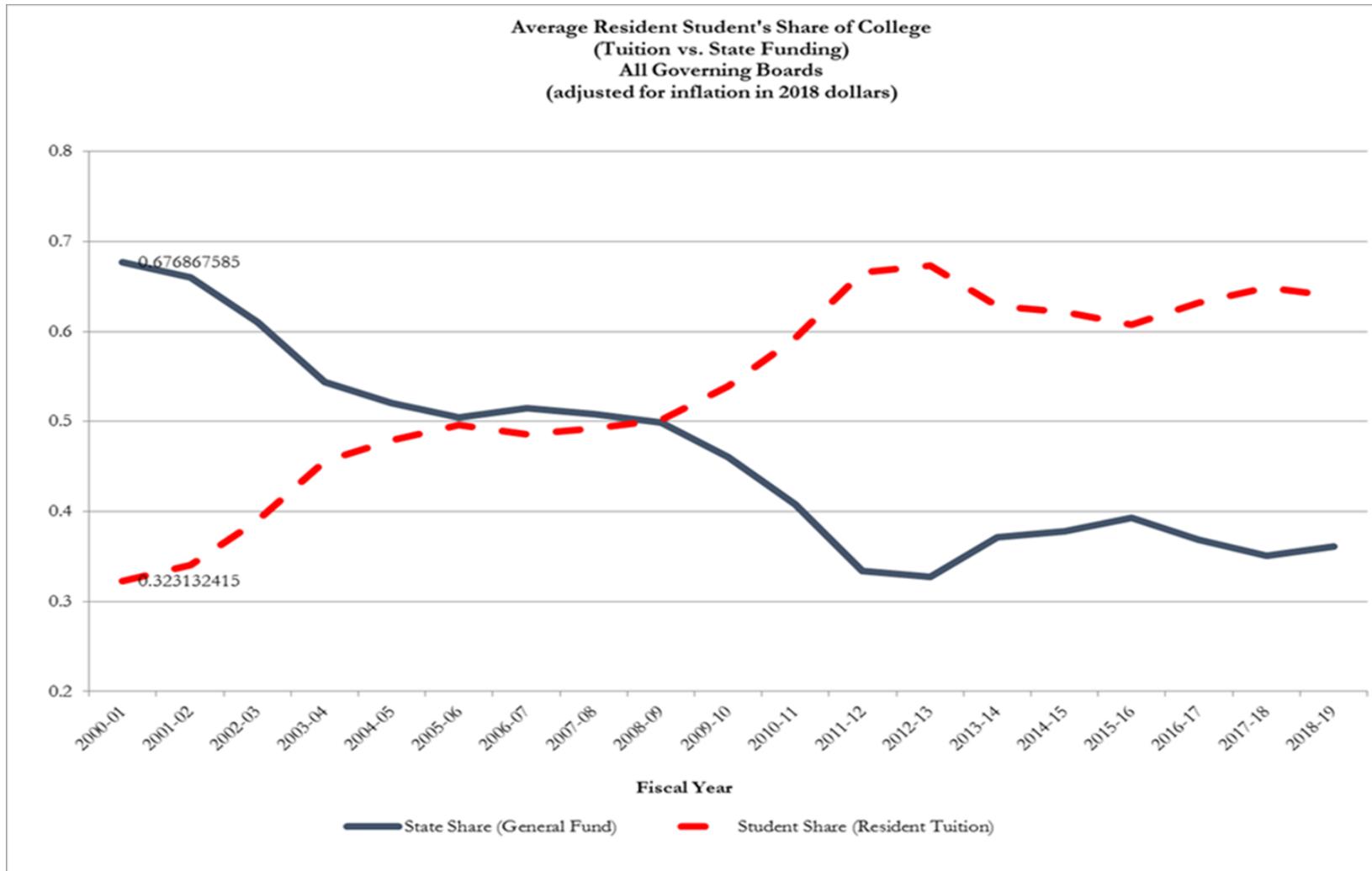
Negative Impact of State Colleges Board Split

In 2003 MSU Denver, Colorado Mesa University, Western Colorado University, and Adams State University separated from having one Board. Each got their own Board of Governance. MSU Denver was required to leave funding behind for these schools to gain their support in our efforts to be independent. Source: JBC Appropriations Reports/CDHE Enrollment Data

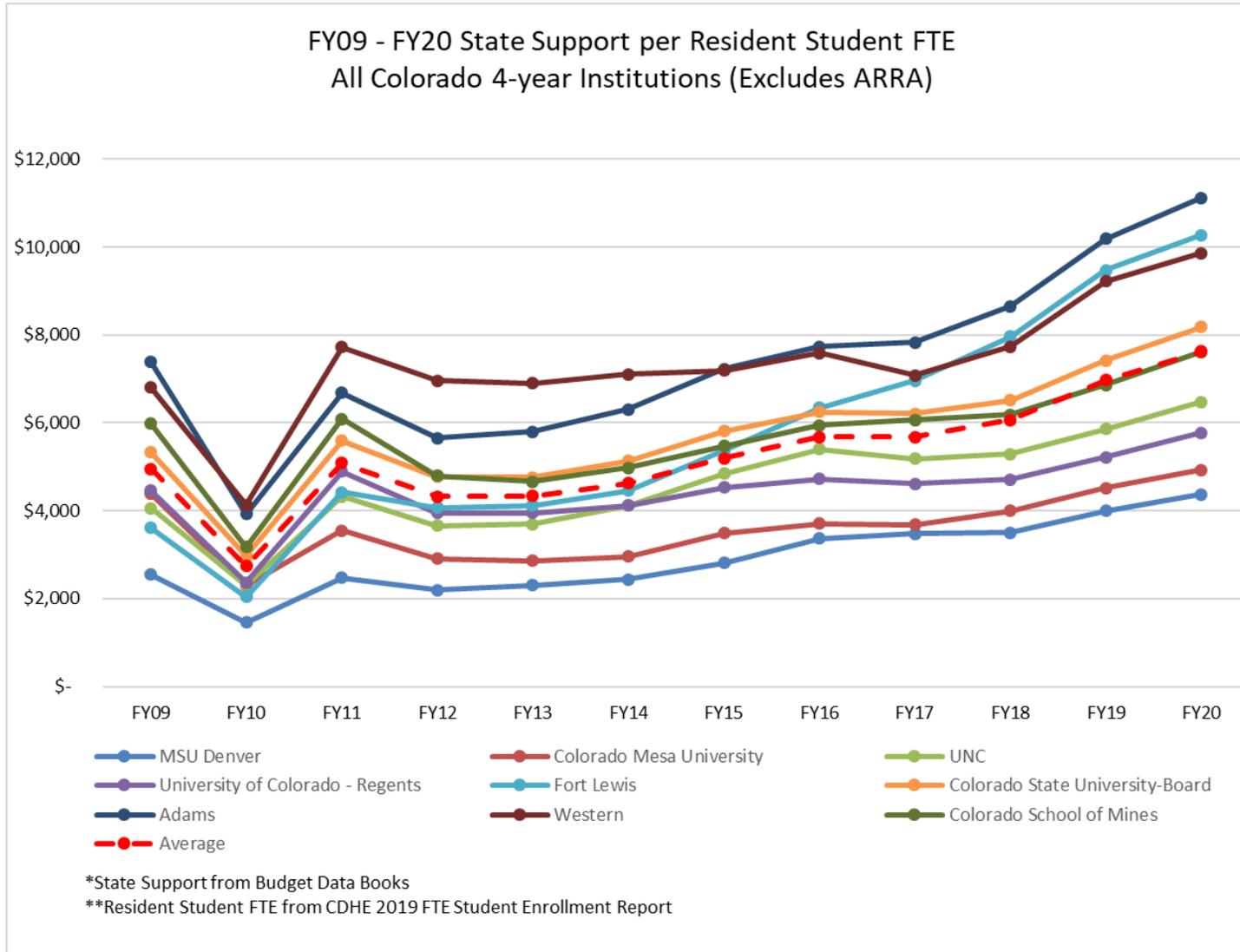


Colorado State Support VS Student Tuition

In the absence of adequate state support, student's share of college education has increased from around 32% to nearly 68% since 2000:



State Support By Institution



- Not adjusted for inflation

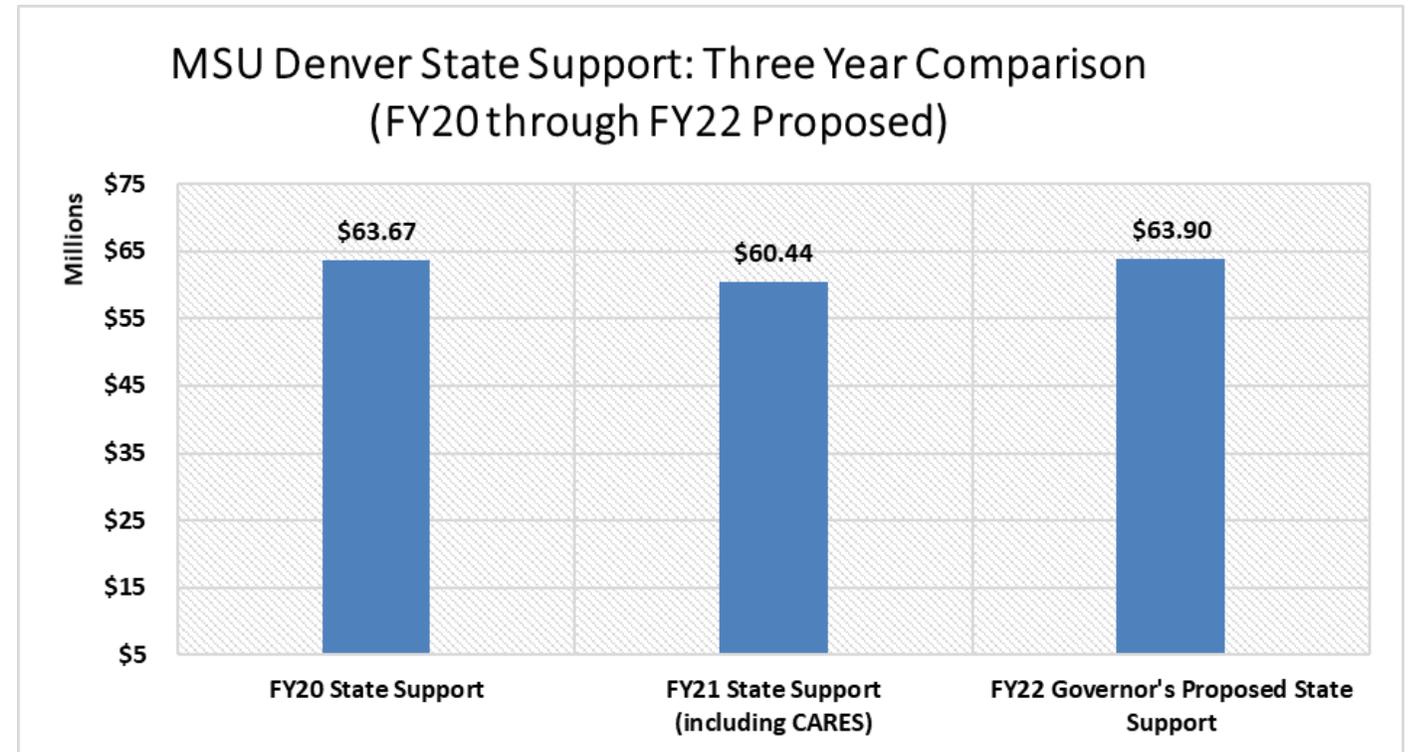
Governor's FY22 Funding Proposal

For Higher Education:

- \$494M to restore the state funding to the FY 19-20 levels.
- \$4.8M restoration of cuts for the cyber security and educator loan forgiveness programs.
- 3% tuition cap.

For MSU Denver:

- Funding is about \$260K more than the FY20 allocation because it is through the formula.
- Returns approximately \$3.5M to the University's State Support

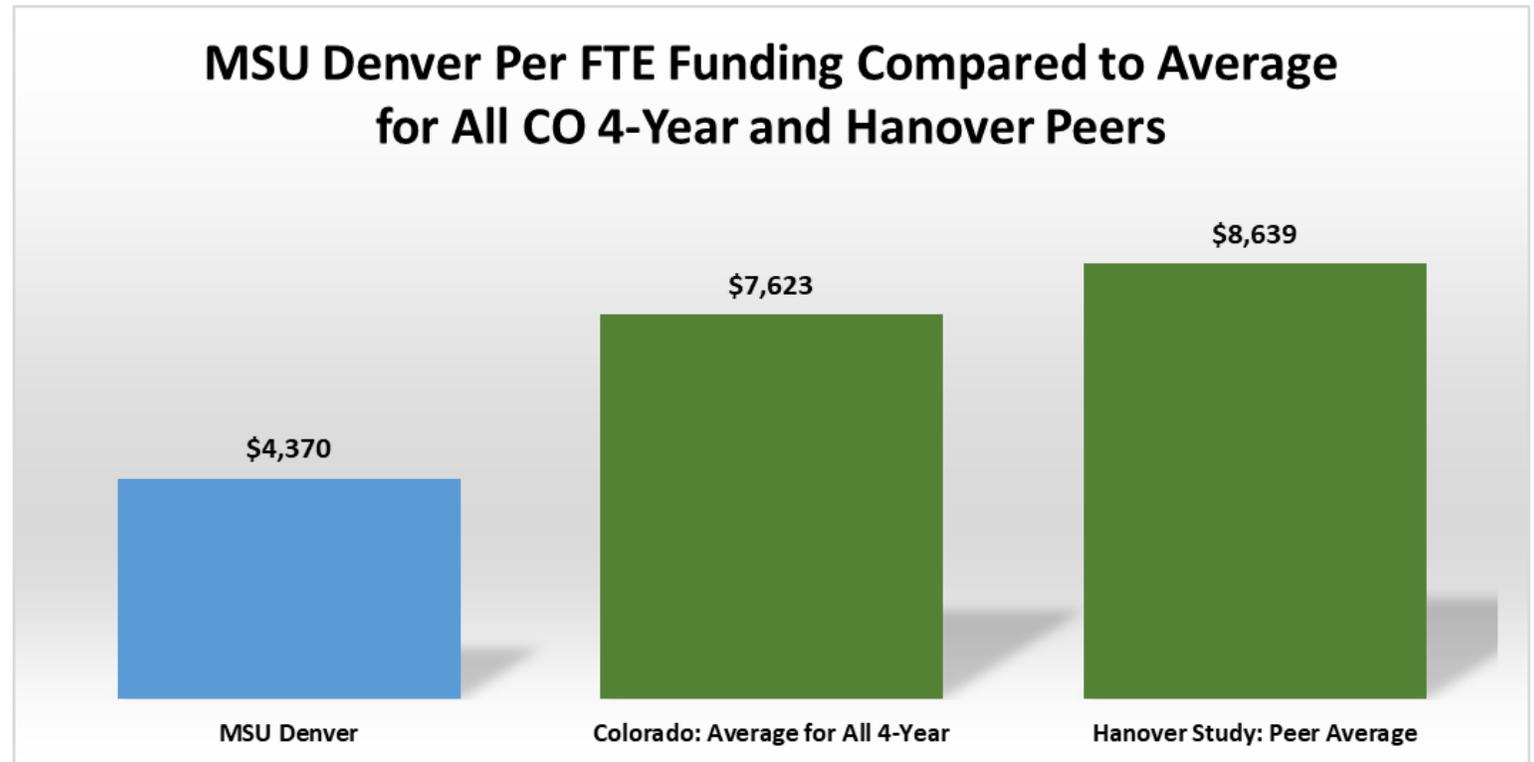


MSU Denver Gap: State Appropriations*

MSU Denver would need a base adjustment of \$48 million to bring us in line with other Colorado IHEs.

The Hanover report shows a gap of \$64 million in state support.

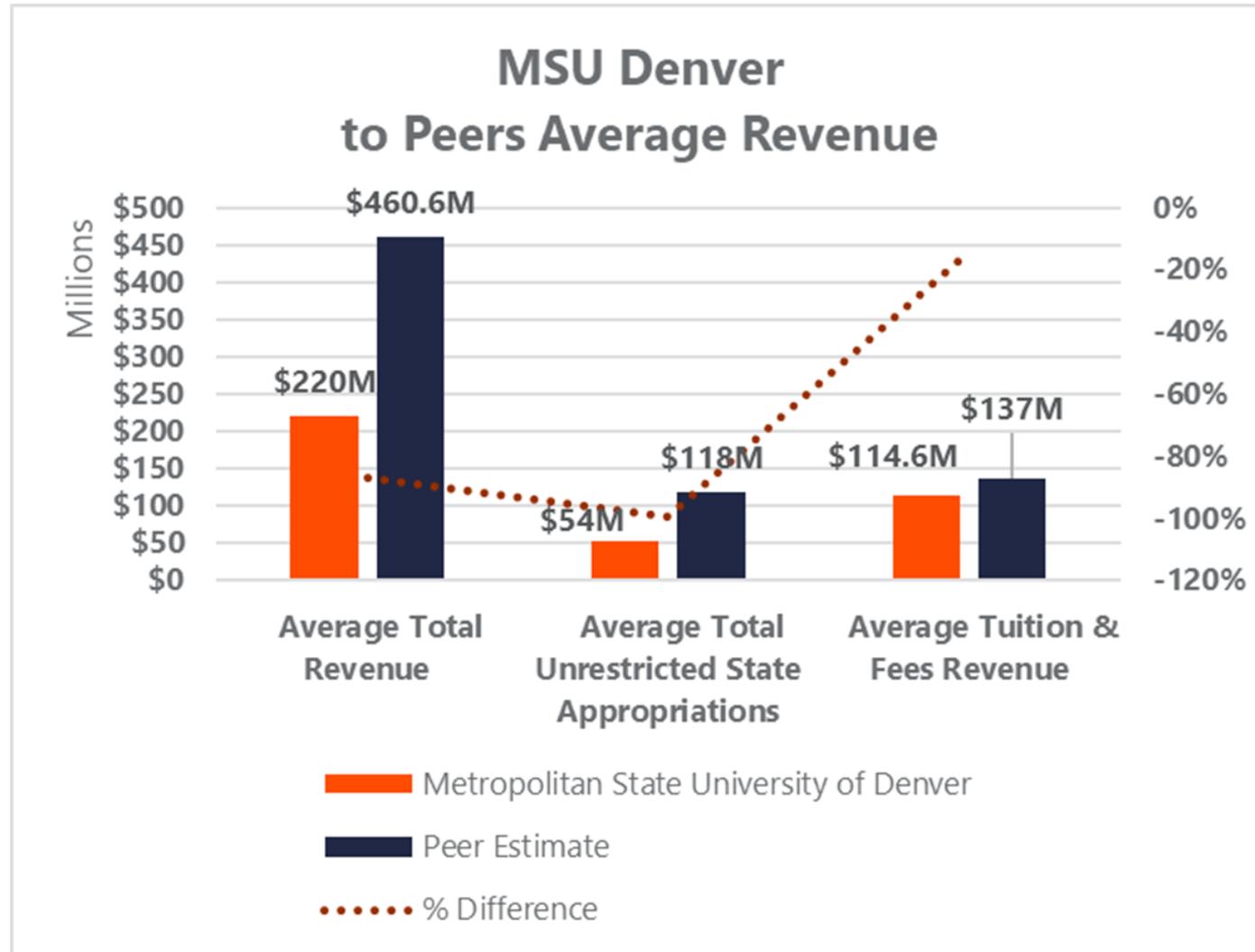
* - Estimated Dec. 2020



MSU Denver State Support Challenges

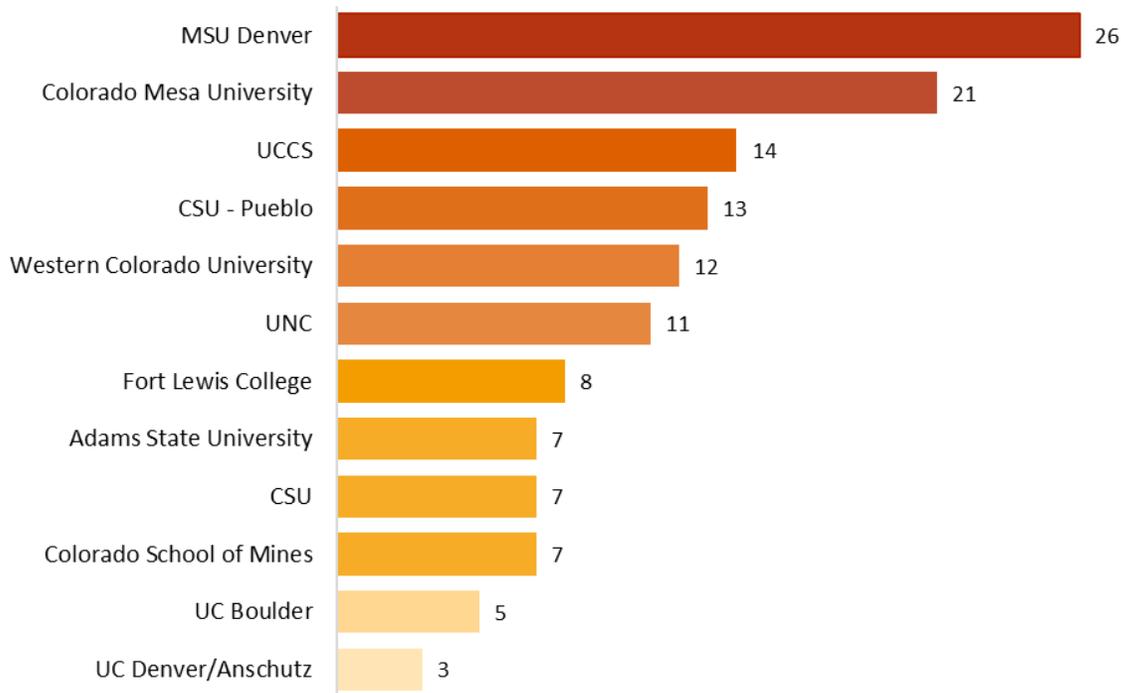
DHE contracted with Hanover Research to assess how Colorado institutions funding compared with their peers. It found that MSU Denver has the lowest per student FTE when compared to our our peers.

Source: DHE Commissioned Hanover Report

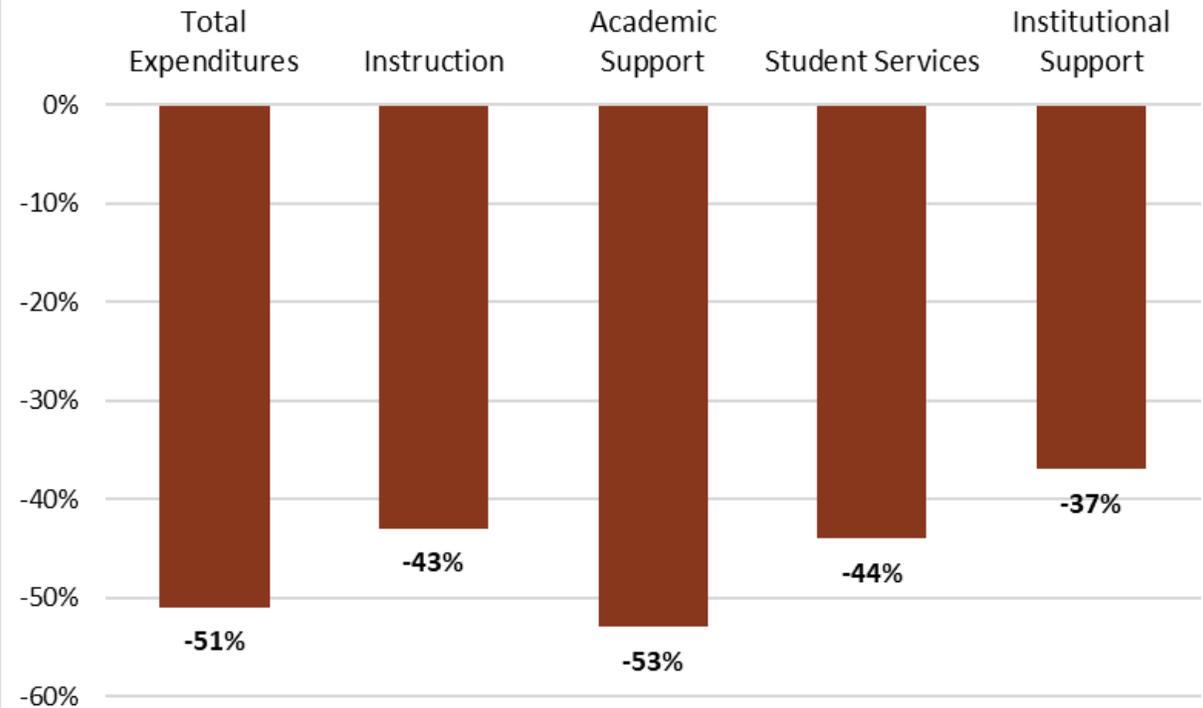


MSU Denver Gap: Staffing and Core Expenditures

Ratio of Undergraduate Students per Non-instructional Staff (2018)



Hanover Report: MSU Denver Core Expenditures Percent Difference from Peers



Examples of Higher Education Main Cost Drivers

Many costs at a instructional setting are fixed and will not reduce with less students

Personnel:

- **Highly educated personnel** = higher salaries (Tenure Faculty VS Affiliate Faculty). MSU Denver increase between the years 2000 and 2019 is **\$39.5 M**.
- **Health insurance and pension costs (PERA)** have increased due to external pressures. For MSU Denver this line increased by **\$10 M** between the years 2000 to 2019. For PERA this increase is **\$4.2 M** during the same time period.
- Mandatory increases, such as **minimum wage**. Within the last three years, about **\$3 M increase** for MSU Denver

Technology:

- Universities must keep up with the most current technology to provide students with a relevant educational experience.
- Delivering on-line instruction is not cheaper and requires significant up-front investment in technology. **Over \$11.5 M increase from 2000 to 2019.**

Student Support:

- Meeting our mission and supporting our student population require maintaining an affordable tuition rate while providing more wrap-around services.

Regulations & Compliance Issues:

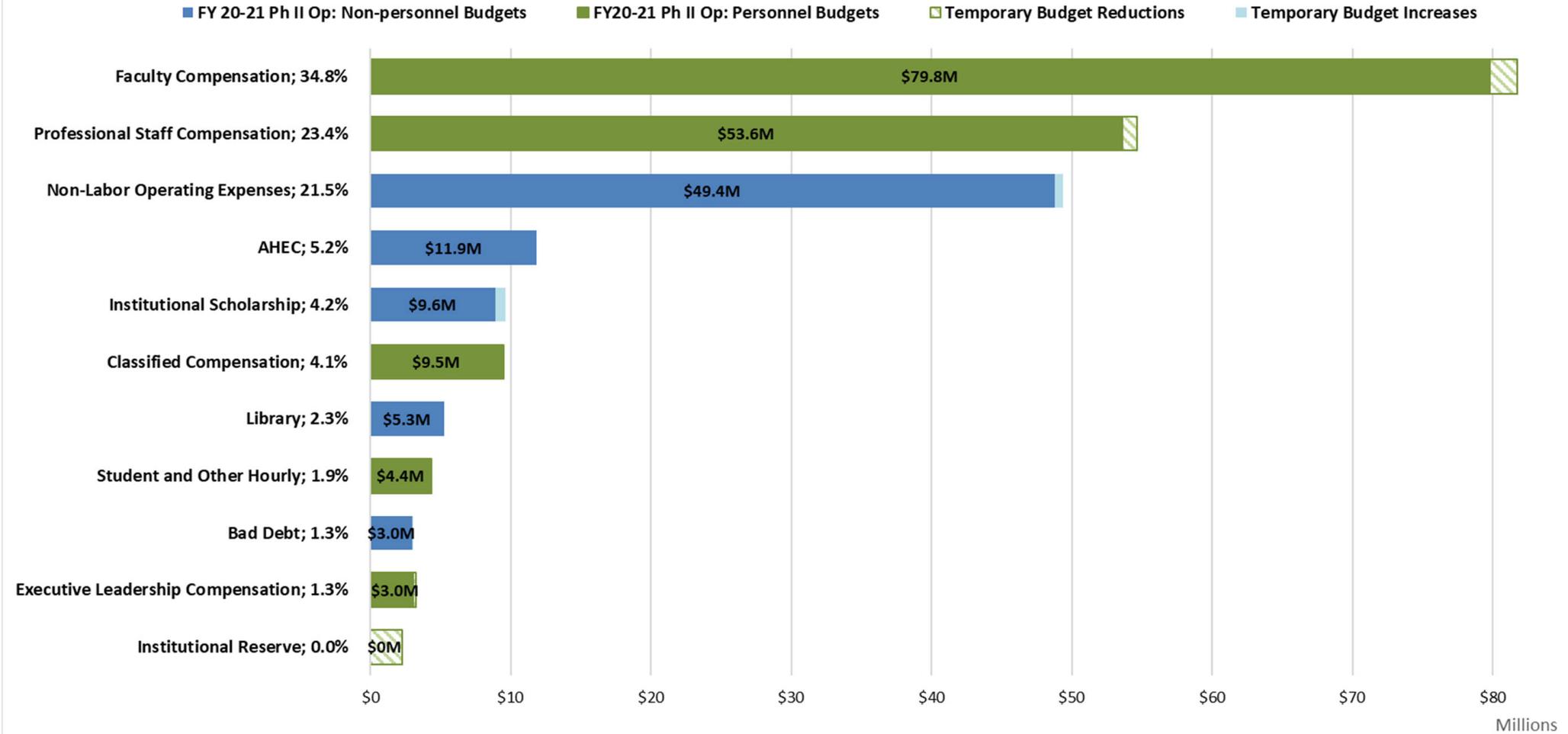
- Such as, ADA, title IX, lawsuits.

Infrastructure:

- Buildings at Auraria Campus need renovations and repurposing not only to be safe, but also to appeal to the new generation of students who prefer high-tech buildings. This is especially important for post-pandemic.
- Increase in the number of students attending college = more space needs.

How We Spend Our Funding

FY 2020-21 Phase II Operating Expenditures (E&G + Auxiliary): \$229,405,409



Immediate Budget Reduction Steps Taken for BASE E&G Shortfall

Base budget cuts & actions taken to cover the shortfall:	FY2020-21
Overall Reductions such as faculty vacant pool & operating budget	9,326,317
Voluntary Furloughs	1,230,982
Mandatory Furloughs	1,100,000
One-time savings by delayed hiring & operating reductions	2,133,330
	13,790,629

MSU Denver instituted mandatory furloughs for employees making more than \$50,000, on a sliding scale based on salary tiers.

	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 6
Minimum Base Salary	\$0.00	\$50,000	\$90,000	\$120,000	\$150,000	\$180,000
Maximum Base Salary	\$49,999	\$89,999	\$119,999	\$149,999	\$179,999	and above
% salary reduction	0 days 0.0%	5 days 1.9%	7 days 2.7%	8 days 3.1%	9 days 3.5%	13 days 5.0%

Additional \$9 Million in COVID-19 Impacts as of Fall 20

By the end of FY2020-21 the dollar amount will be higher

Items not included with E&G	Est. \$ Amt	Actions Taken
FY20 COVID expenses (last quarter), such as moving classes and operations to remote environment. FY21 not yet finalized.	\$1.3M	CARES Act funding
Discounted Student fee charges for AHEC	\$2.4M	Possible coverage by CARES Act funds & one-time fund balance
Discounted student fee charges for Athletics & Campus Rec	\$2.5M	Combination of CARES Act funds, reduced expenses, & one-time fund balance
MSU Denver's Hotel (by July 21 if operations don't turn-around)	\$2.8M	Possible coverage by reduced expenses and one-time fund balance

FY21 state support non-base cut is \$33,744,646, and the CARES Act non-base (one-time) funding is \$33,694,364. The CARES Act not only has to cover cuts related to normal operating needs, but also these additional COVID expenses.

FY22 Enrollment Scenarios



Scenario #1: Enrollment Decrease

- Vaccine & other measures allow us to return to normal in Fall plus economy rebounds
- Although on campus courses have resumed, many students may take time off to return to work after extended period of under/no employment.
- **Assume 3% enrollment decline based on previous history**



Scenario #2: Flat Enrollment

- Situation remains the same throughout 2021, learning is predominantly remote and **economy could be better, could be worse**
- **Assume enrollment will stay the same as FY2021**



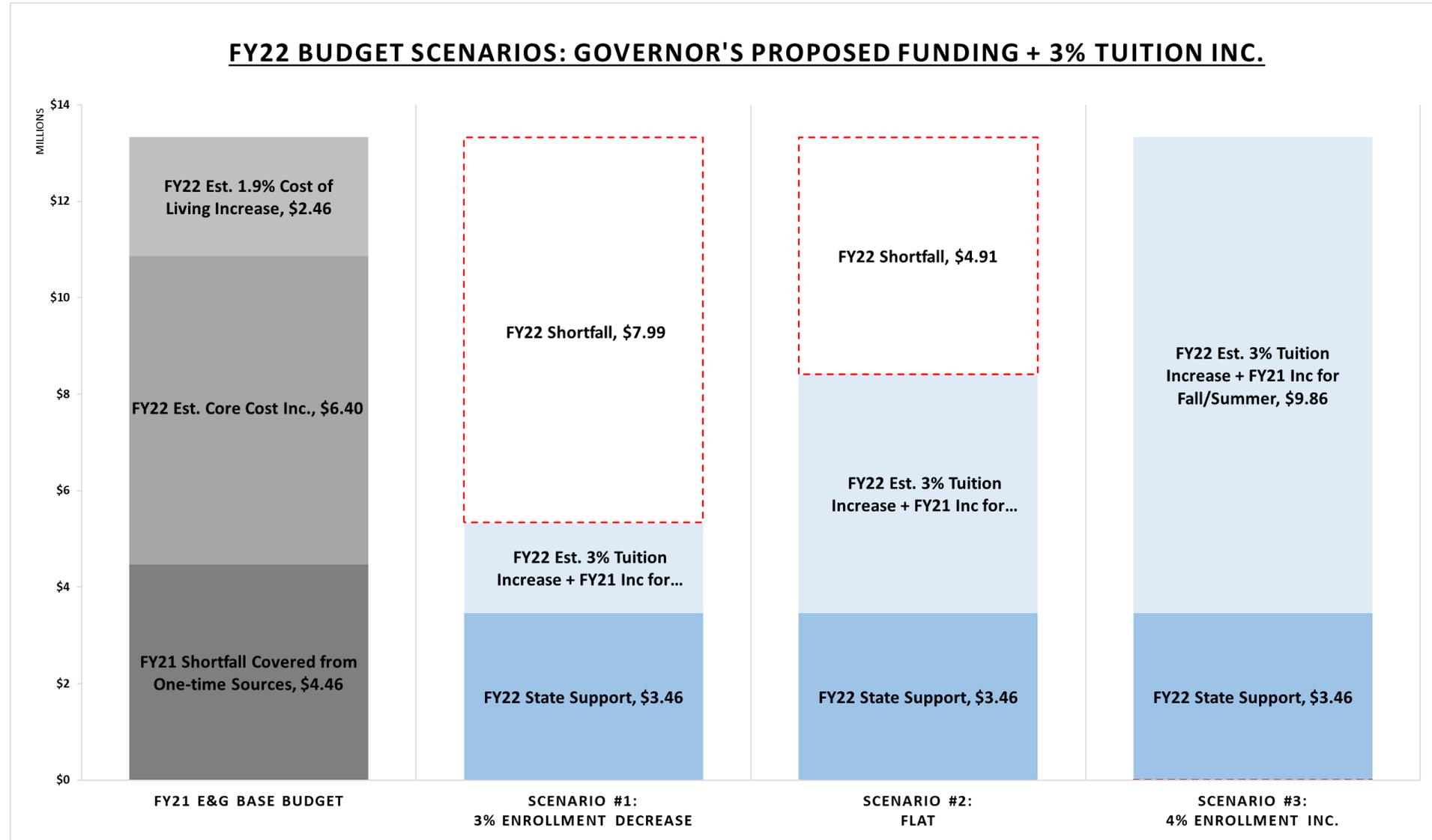
Enrollment Increase

- Economic recession encourages unemployed/under-employed people to pursue new careers
 - Enrollment jumped by 7% in FY10 and then more than 2% in FY11.
- **Assume enrollment will increase by 4% based on average increase of previous recession.**

Potential FY22 Budget Scenarios

Includes:

- Governor's proposed funding
- 3% tuition increase
- Mandatory Cost Increase
- Cost of living increase



FY22 Estimated Shortfall Excludes:



University Priorities:

- **Infrastructure:**
 - Dangerous Buildings/Deferred Maintenance
 - Technology Needs: Outdated ERP System drives inefficiencies, increases risk
- **Understaffing and Compensation Issues:**
 - Burnout = staff turnover
 - Inadequate compensation = Staff turnover & failed searches
 - Staff turnover = increased expenses for recruiting and brain drain
 - Understaffing = lost revenue from retention issues



University Initiatives:

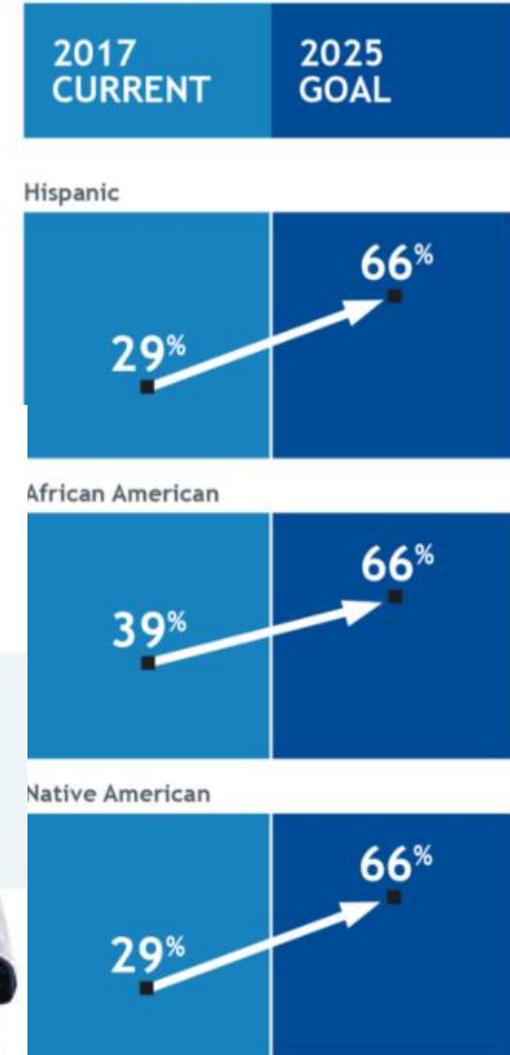
- Health Institute
- College Reorganization
- C2 Hub
- Cyber Range

What We Need in 2021

- No further cuts to MSU Denver. We need to stay an affordable option for Colorado students.
- Adjustment to Step 1 in Funding Formula to address critical and historical underfunding.
- Need for state investment in order to provide support services to students.
 - As the state's only open access institution, we need to provide the most wraparound support services.
 - Our students are the ones Colorado needs to invest in to meet its attainment goals.



STRATEGIC GOAL 2 Equity Gaps



Questions/Discussion

