Funding – A Perspective...

MAAE Special Meeting

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Hutchinson

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Discussion Points

- So what is the issue? (Maintaining instructor base)
- How does a base contract compare to a 1.4 FTE contract?
- How does FBM compare to other technical programs?
- Do the majority carry others who are under load?
- What about the cost study…what does it tell us?
- Is 2012 going to be that challenging?
- Where is the potential to make a positive impact?

Our 8 Presidents...

Minnesota State Colleges & Universities

- Recognize the value of the program to the Ag Community
- Generally understand the type of education delivered
- Appreciate the need for the business analysis and database
- Demonstrate their support of the program by meeting regularly with Dr. Joerger to discuss the issues

But, our 8 Presidents also...

Minnesota State Colleges & Universities

- Recognize that most of their colleges are on the verge of extreme financial peril
- Generally understand that some type of financial gain in these programs will enable them to replace faculty
- Appreciate the Ag. industry support, but feel that from all industries regarding technical programs
- Must demonstrate financial rationale for their support of the program in order to justify other cuts instead

So what is the issue?

- With retirement comes the evaluation of ROI
- This often does not occur with other programs, where there are visible student loses and empty classrooms/labs.
- With those classrooms/labs, there is room for 17 to 25 students for one faculty member
- A benefit to FBM is consideration by the Presidents that the program provides economic development and service to the Ag. Community

How do the numbers really look?

FBM Base Contract

Salary:	$60,000
Fringe	$25,200
Supply/other	$10,000
Total:	$95,200
Credits:	347
FYE:	11.57
Tuition ($140/cr):	$48,580
Cost less tuition:	$46,620
Tuition as % of cost	51%

Challenge: Greater potential for reduction in enrollment with new faculty

Tech classroom Base Contract

Salary:	$60,000
Fringe	$25,200
Supply/other	$10,000
Total:	$95,200
Credits:	510
FYE:	17.00
Tuition ($140/cr):	$71,400
Cost less tuition:	$23,800
Tuition as % of cost:	75%

NOTE: 1 FYE (30 credits), at $140 per credit brings in $4,200 of tuition to the college

How do Base & 1.4 FTE compare?

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FBM Base Contract		FBM - 1.4 FTE Contract	
Salary:	$60,000	Salary:	$84,000
Fringe	$25,200	Fringe	$29,280
Supply/other	$10,000	Supply/other	$12,000
Total:	$95,200	Total:	$125,280
Credits:	347	Credits:	517
FYE:	11.57	FYE:	17.23
Tuition ($140/cr):	$48,580	Tuition ($140/cr):	$72,380
Cost less tuition:	$46,620	Cost less tuition:	$52,900
Tuition as % of cost	51%	Tuition as % of cost:	58%

How do Base & .75 FTE compare?

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FBM Base Contract		FBM - .75 FTE Contract	
Salary:	$60,000	Salary:	$45,000
Fringe	$25,200	Fringe	$22,650
Supply/other	$10,000	Supply/other	$ 8,000
Total:	$95,200	Total:	$75,650
Credits:	347	Credits:	260
FYE:	11.57	FYE:	8.67
Tuition ($140/cr):	$48,580	Tuition ($140/cr):	$36,435
Cost less tuition:	$46,620	Cost less tuition:	$39,215
Tuition as % of cost	51%	Tuition as % of cost:	48%

What is the net per day at various levels?

Based on previous numbers for program costs…

	Base	1.2 FTE	1.4 FTE
Days in contract level:	171	34	34
Salary/Fringe per day	498.25	412.94	412.94
Credits/Day	2.03	2.25	2.75
Tuition/Day ($140/credit)	284.2	315	385
Net Cost /Day	214.05	97.94	27.94

How does FBM compare to other programs? *

Additional net cost at varying ratios – FBM vs. Other					
Other Program Ratios→		13 to 1	15 to 1	17 to 1	19 to 1
FBM Contract level	Net Cost	40,600	32,200	23,800	15,400
Base Contract (1.0 FTE)	46,620	6,020	14,420	22,820	31,220
205 Day Contract (1.2 FTE)	50,950	10,350	18,750	27,150	35,550
239 Day Contract (1.4 FTE)	52,000	12,300	20,700	29,100	37,500

* Base salary = $60,000, Health = $15,000, FICA/Retir. = 17%, plus supplies.

What is our statewide ratio?

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What does that tell us about how full all programs are? (1.0 FTE = 11.57, at 1.2 = 11.76, at 1.4 = 12.31)

Total for Farm Business Management (including Spec Crop and Lamb & Wool)	Faculty Headcount	FTE*	Student Headcount	FYE**	Number of sites	FYE to FTE Ratio
FY09	77	84	3539	960	57	11.44
FY08	79	86	3524	966	60	11.25
FY07	81	85	3411	935	63	10.97
FY06	80	85	3291	924	63	10.87
FY05	82	89	3344	940	66	10.60
FY04	87	97	3507	1014	69	10.44
FY03	92	103	4006	1085	72	10.57
FY02	98	111	3981	1162	75	10.51

* Full Time Equivalent - A full time equivalent faculty position, standard contract of 171 days.

** Full Year Equivalent - A full time student equivalent on a full load of 30 credits per year.

What do we know about what the contract levels are around the state?

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Percent of instructors at various contract lengths:

- 1.4 FTE or more 21%
- 1.0 to 1.4 FTE 65%
  - Below Credit Exp.(11%)
    - 50% of these were new
- Less than 1.0 FTE 14%

A Closer Look at the Current Finances of FBM – Initial Benchmark

FY07-09 FBM Cost Study Numbers and More

3 Year Ave Cost per FBM FYE

CIP 0101 - Ag Business & Management

Inst Id	Institution Name	LD FYE	LD Direct Instruction Expenditures	Direct Cost Per LD FYE
0203	Alexandria TC	17.83	125,965	7,063
0301	Central Lakes College	59.75	607,989	10,175
0209	Minnesota West College	129.68	1,085,893	8,374
0403	Northland College	187.14	1,542,730	8,244
0308	Ridgewater College	219.79	1,690,755	7,693
0307	Riverland College	180.75	1,483,326	8,206
0309	South Central College	223.24	1,731,642	7,757
0208	St. Cloud TC	26.80	218,733	8,162
	Totals:	1,044.99	8,487,033	
			Average	8,122

Observations of the Cost Study Information and College Finances

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- Direct Cost per FYE (FYE equals 30 credits)for FBM over $8,000.
- Tuition covers just over 50% of the direct costs
- State allocation needs to cover the difference
- The old technical college system funding formula has changed from the model used up until merger.

Observations of the Cost Study Information and College Finances

Minnesota State Colleges & Universities

- No significant loss in State Allocation when a college closes a program.
- New model rewards colleges with less cost than state average by program type and penalizes colleges programs with higher cost than state average.
- On allotments are now a serious matter!
- Colleges have already eliminated weak programs and trimmed staff

FY09 Allocation Information by College:

60% of total operating is spent in instruction; therefore 60% of base allocation can be attributed to instruction

Inst ID	Institution Name	FY2009 BASE Allocation	FY2009 FYE	FY2009 TOTAL BASE Allocation per FYE	FY2009 Base Instructional Allocation per FYE
0208	St. Cloud TC	11,099,491	3,046	3,644	2,186
0301	Central Lakes College	11,952,140	3,020	3,958	2,375
0308	Ridgewater College	14,960,277	3,306	4,525	2,715
0403	Northland College	12,876,215	2,788	4,618	2,771
0309	South Central College	13,032,592	2,714	4,802	2,881
0203	Alexandria TC	10,449,830	2,063	5,065	3,039
0307	Riverland College	11,726,195	2,274	5,157	3,094
0209	Minnesota West College	11,713,710	2,088	5,610	3,366

Base Example for FY11 - Assumptions:

- Direct Cost Per FYE: $8,200 or $94,800/FTE
- Tuition, $150 per credit = $4,500/FYE or 54.9% of Direct Expense
- State Allocation (60% factor)decreases to $2500 per FYE
- Total Revenue in this scenario is $7,000 ($4,500 + $2,500)
- We are $1200 short or 15% of direct cost per FYE
- Hence the need to develop a model that generates revenue to cover 70% of direct costs.
    - 70% of $8,200 is $5740 plus $2500 of allocation equals $8,240.

Observations regarding the challenge of 2012 and beyond

- State allocations are expected to be decreased by 15% over the FY 12-13 Biennium.
  - That will equate to 1.5 to 2 million $ decrease for most for our institutions.
- Employee Health Care Costs are projected to increase another 10% beginning in Calendar Year 2011.
  - Currently at Northland Employee Health Insurance accounts for 12% of all costs for the college. Others would be similar.

Observations regarding the challenge of 2012 and beyond

- A goal of 70% of direct program costs generated by program tuition and other revenues for FY12 enables the program to close in on revenue levels of other programs.
- It is entirely possible, depending on funding and the economy, that we will need to approach 100% of direct costs from program revenues outside the state allocation within 5 years.

Given all this…Where is the potential to make a positive impact?

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- If 2012 and beyond will cause more budget reductions, the choices are limited…
  - Increase revenue in one or several ways, with limited focus on soft dollars. (~70% of cost from all revenue sources)
  - Reduce costs without severely inhibiting the education delivered to the student.
  - Change the program to the extent that both items above could be accomplished
  - Do nothing and let the chips fall where they may as instructors retire.

Sample Strategies that have been recommended…

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- Secure grants to support program in it's current state
- Host large seminars in a non-management credit status
- Secure Legislative Funding to support the programs
- Sell aspects of the FBM Database to generate revenue
- Garner out-of-state revenues through special programming (e.g., webinars, etc.)
- Convert total program to another form of delivery with revenue generated at a higher level

Sample Strategies that have been recommended...

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•Increase FYE to FTE Ratio

•Initiate new programs for Underserved and Unserved Populations (i.e., hybrid program of academic and continuing education)

•Enroll Secondary and/or AFNR students in Online Courses - USA

•Deliver Professional Development in FBM – USA

•Assign a Course Surcharge of $10-40 Per Credit

The financial picture...not pretty but necessary to know

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•Consider these realities as we discuss options that will be presented for your consideration

•Your exemplary efforts as an FBM instructor are not intended to questioned in this discussion

•We are heading in to an unprecedented budgetary chasm and tough decisions will be made in ALL areas

•The very fact that your president wants to discuss options tells us that there is a sincere desire to help keep these programs strong…but a new financial environment is needed.

How Can We Increase Revenue By Over $1200 Per FYE or $40 per credit

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- Increase ratio by 15% from the current 11.56 to 13.3
  - Base credit increase from 347 to 400
  - Increase ratio should decrease per FYE direct cost from $8,200 down to $6,970. $1230 change in cost structure.

Apply a credit surcharge fee

Non Credit Options

Grant and Outside Revenues for curriculum and research efforts

A blend of all of the above