

Financing the Future: The Role of Tuition

President Robert H. Bruininks

February 8, 2008



UNIVERSITY OF MINNESOTA

Driven to DiscoverSM

Transforming the U: Framework

VISION: Improve the Human Condition Through the Advancement of Knowledge

MISSION: Extraordinary Education • Breakthrough Research • Dynamic Public Engagement

GOAL: Become one of the Top Three Public Research Universities in the World

EXCEPTIONAL STUDENTS
Recruit, educate, challenge, and graduate outstanding students who become highly motivated lifelong learners, leaders, and global citizens.

EXCEPTIONAL FACULTY AND STAFF
Recruit, mentor, reward, and retain world-class faculty and staff who are innovative, energetic, and dedicated to the highest standards of excellence.

EXCEPTIONAL ORGANIZATION
Be responsible stewards of resources, focused on service, driven by performance, and known as the best among our peers.

EXCEPTIONAL INNOVATION
Inspire exploration of new ideas and breakthrough discoveries that address the critical problems and needs of the University, state, nation, and world.

FOUNDATION FOR SUCCESS: Foster Culture of Excellence • Cultivate International Learning
Advance Interdisciplinary Frontiers • Build Diverse Community • Generate Critical Resources • Account for Results


MAY 2006

UNIVERSITY OF MINNESOTA


Transforming the U: Key Financial Strategies

- **Increase and stabilize state support** to advance the University's strengths and comparative advantages.
- **Develop a tuition strategy** that provides a reasonable and consistent level of support for the University's core educational costs.
- **Increase sponsored funding** to support the University's culture of discovery and innovation.
- **Increase private support** for University priorities.
- **Align resources** to meet our strategic priorities.
 - Implement disciplined cost reduction and productivity improvement strategies.
 - Maximize the growth and impact of existing University assets.

Financing the Future: Key Policy Questions

We're working to develop a common framework for examining our diverse revenue streams and informing our financial strategies.

For each of these key financial strategies, ask:

- What is the essential role of this revenue stream in support of the University's mission?
 - What are the historic trends and future projections for this revenue stream at the University, and how does that compare with our peers?
 - What actions must be taken to develop this revenue stream and make it more productive?
 - Does this revenue source support our strategic plan and goal at an appropriate level?
 - **What will it take to finance the future of the University, and how can we achieve it?**
- 

Financing the Future: Sponsored Funding

The 2007 Annual Research Report addressed these questions.

- What is the essential role of this revenue stream in support of our mission?
 - **Funds research vital to our public mission:** 20% of all-funds budget; 100% dedicated to the U's research mission.
- What are the historic trends and future projections for this revenue stream at the University, and how does that compare with our peers?
 - **We're gaining on top 3:** 9th in expenditures; 2nd largest increase; top 10 by several measures – but competition remains intense.
- What actions must be taken to develop this revenue stream and make it more productive?
 - **8 specific actions:** Focus on increasing research support from institutional, industry and federal sources.
- Does this revenue source support our strategic plan and goal at an appropriate level?
 - **Not yet:** We must continue to grow these revenues. The gap between the U and "top 3" is \$205M for 2006, down from \$237M in 2005.

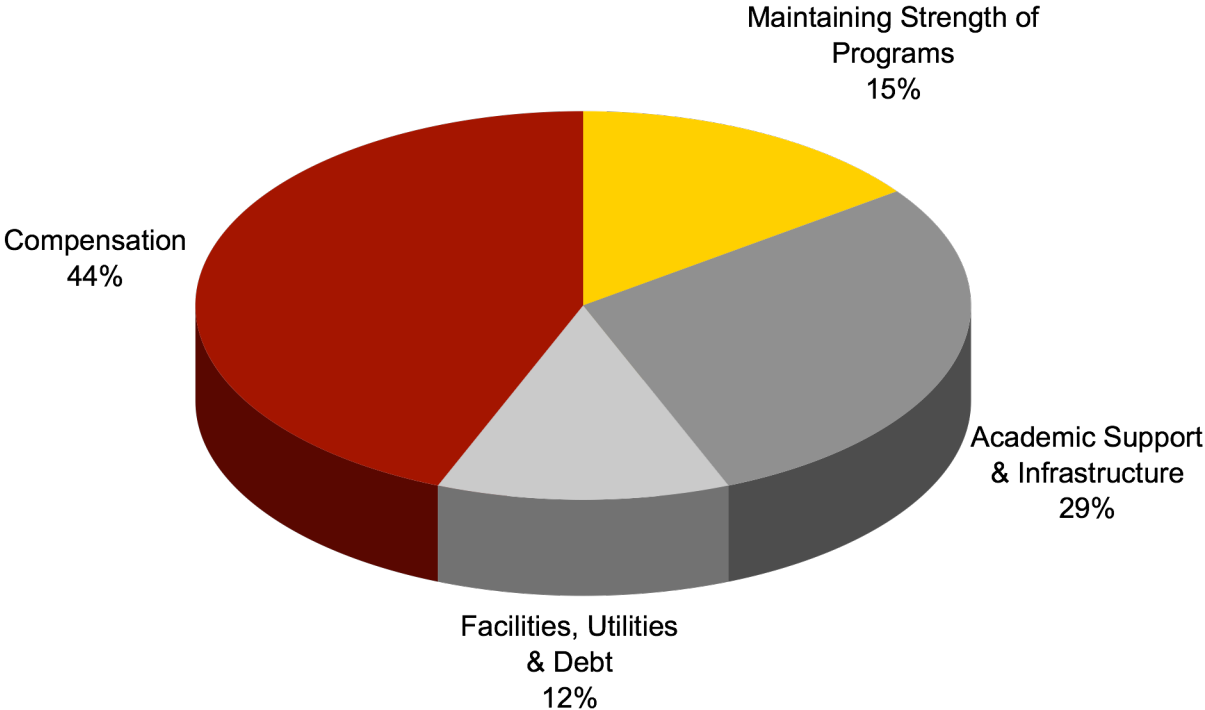
Transforming the U: Key Financial Strategies

- **Increase and stabilize state support** to advance the University's strengths and comparative advantages.
- **Develop a tuition strategy** that provides a reasonable and consistent level of support for the University's core educational costs.
- **Increase sponsored funding** to support the University's culture of discovery and innovation.
- **Increase private support** for University priorities.
- **Align resources** to meet our strategic priorities.
 - Implement disciplined cost reduction and productivity improvement strategies.
 - Maximize the growth and impact of existing University assets.

As part of Transforming the U, we are rethinking each of these financial strategies in terms of the same five policy questions.

Financing the Future: Baseline Needs

2005-07 Average Annual Budget Needs



Financing the Future: Need for Investment

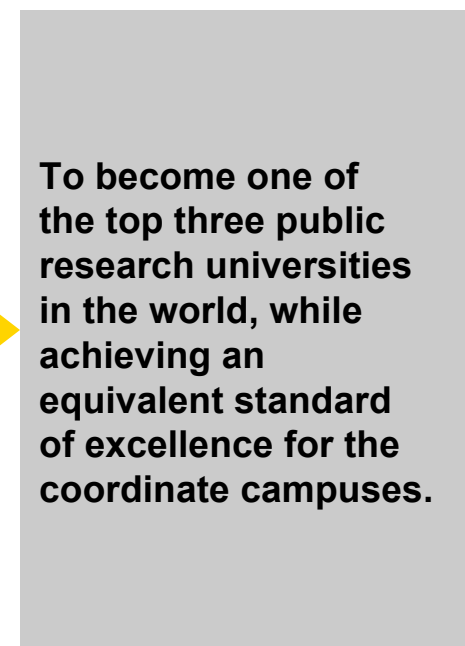
Strategic Framework



Budget Framework



Strategic Goal



Financing the Future: On Affordability

November 2007 U.S. GAO Report

In the face of widespread concern that college is becoming less affordable:

- **Students are enrolling in record numbers.** Nationwide, more students are going to college than ever before – up 19% or roughly 2.2M students since 1995-96.
- **The system works.** More students attend the institutions with the lowest average tuition and fees; fewer attend the most expensive institutions.
- **Higher education is a great investment.** College graduates can expect to earn \$1M more, on average, than someone with just a high-school diploma.

And this doesn't take into account financial assistance and institutional efforts to ensure affordability.




Financing the Future: Sources of Revenue

<i>Revenue Source (2007 Total Revenues: \$2.7B)</i>	<i>Average Annual Growth (1994-2007)</i>	<i>Percent of 2007 Revenues</i>
State Appropriations	3.0%	23.5%
Student Tuition and Fees	9.7%*	23.1%
Sponsored Grants and Contracts includes:	6.3%	26.3%
- Federal	5.7%	20.1%
- Non-Federal	9.2%	6.2%
Gifts, Bequests and Endowment Income	6.2%	5.0%
Other Revenue includes:	6.3%	22.2%
- Indirect Cost Recovery	7.4%	4.0%
- Auxiliary External Sales	5.1%	7.7%
- Other Miscellaneous Income	7.1%	10.5%

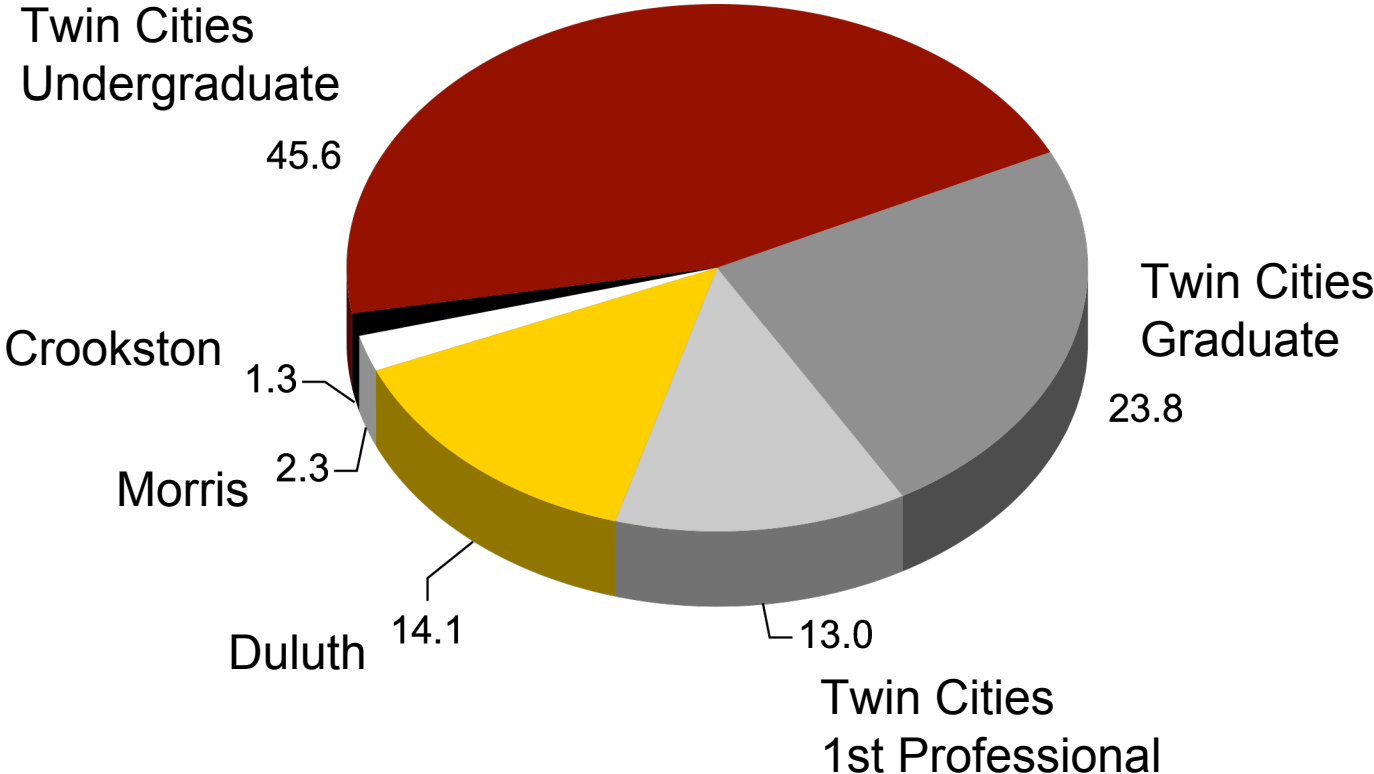
**Reflects enrollment growth plus increases in tuition rate and fees.*

What Do We Know?

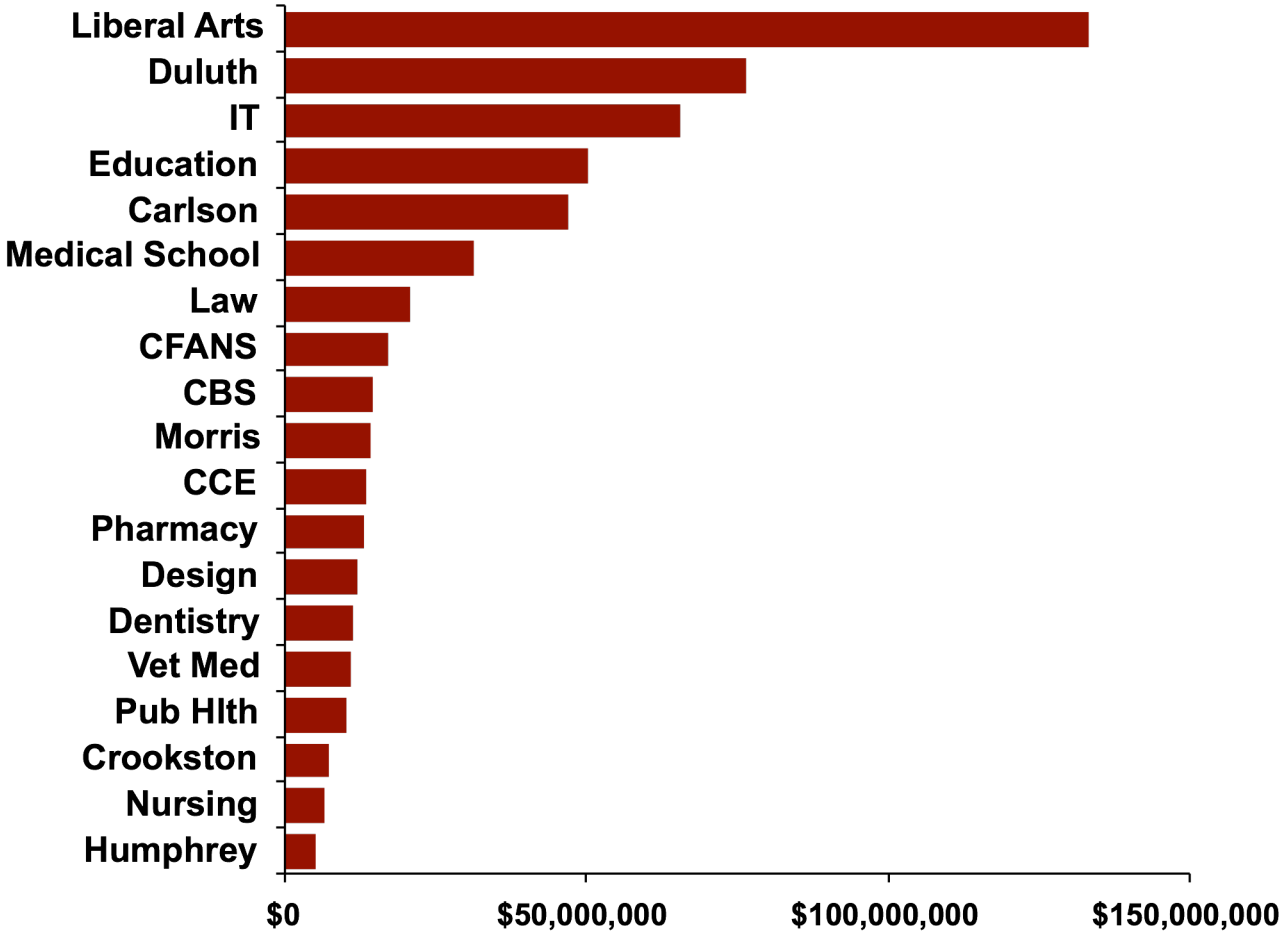
- **Outlook for tuition drivers** moving forward (discussed with the Board of Regents through committees):
 - State support and state policy
 - Access for Minnesota students
 - Overall enrollment picture
 - Financial impediments and timely progress toward graduation
 - Changing demographics, including population trends and diversity
 - Student financial assistance (public and private)
 - **Role of tuition** in our annual budget
 - **Revenue trends** including tuition and state appropriations
- 

Role of Tuition: Campus-by-Campus

2006-07 Tuition Revenue by Source

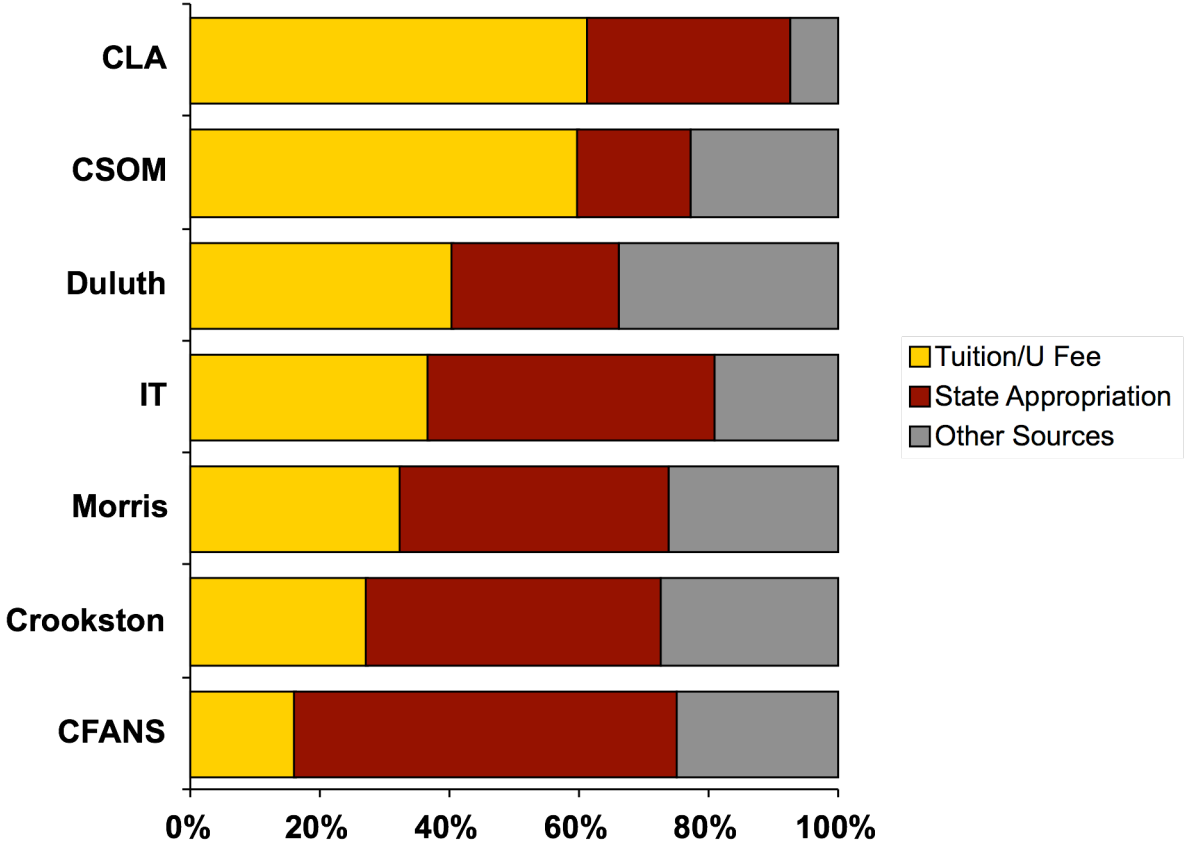


Role of Tuition: By Campus and College

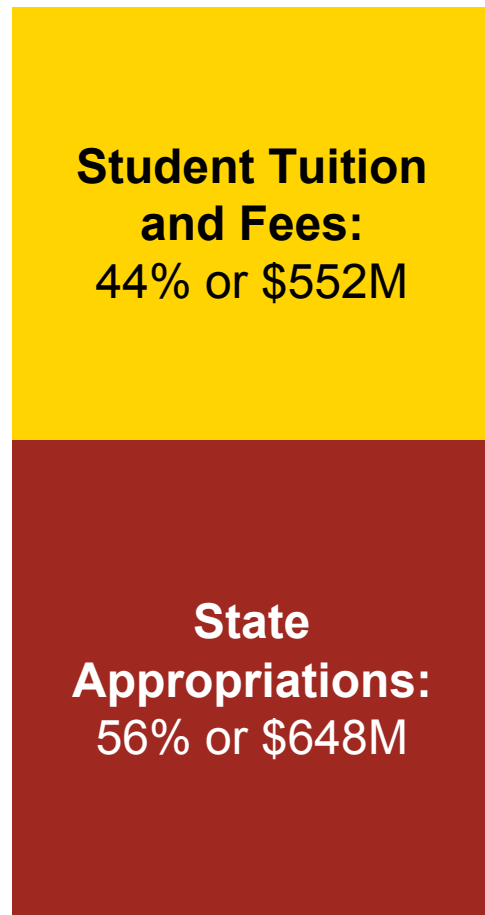


Role of Tuition: Tuition + Appropriations

Total FY07 Budgeted Non-Sponsored Revenues
(Percent of Total)



Role of Tuition: Why It Matters



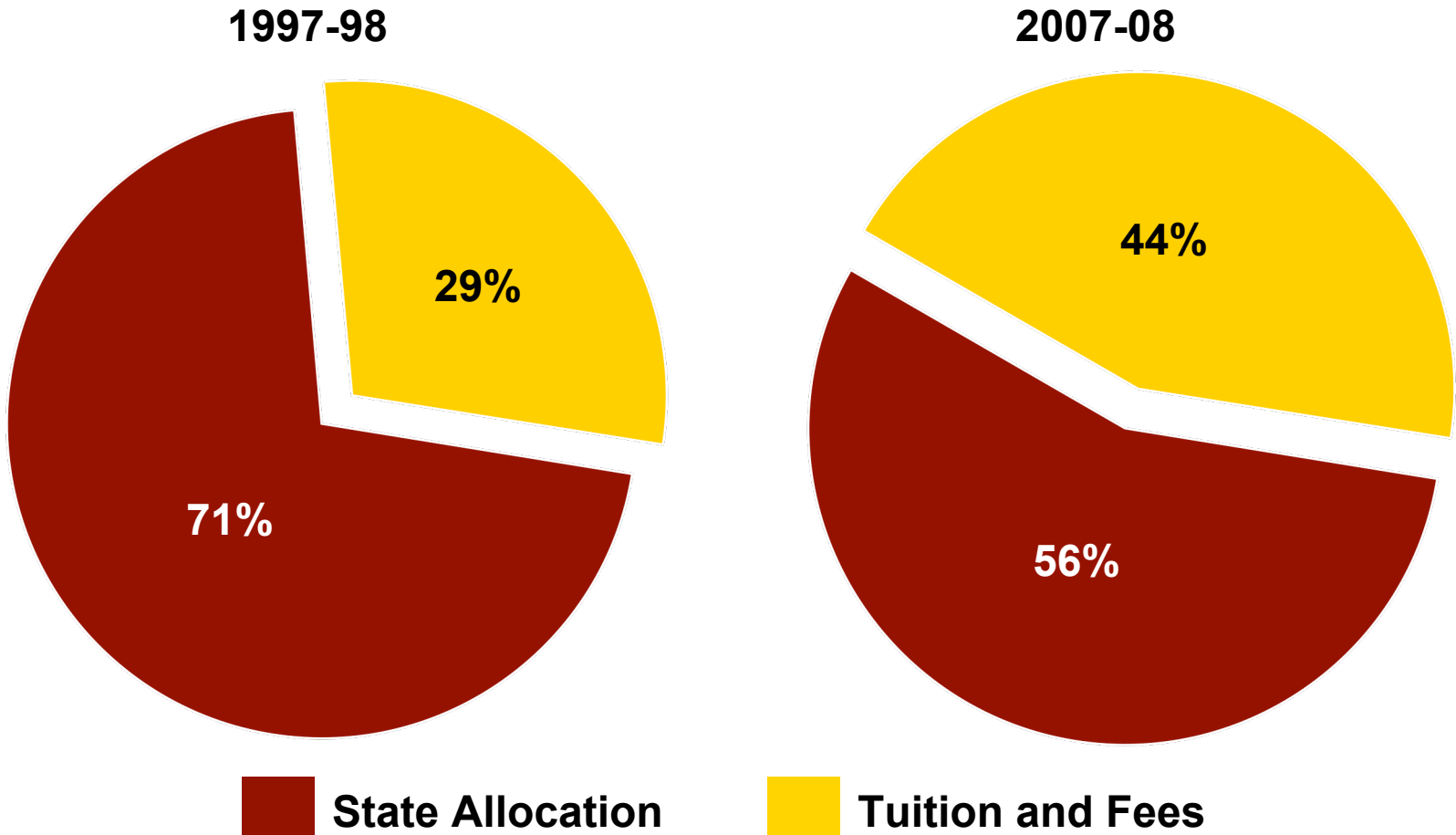
FY 2007-08 State Appropriation and Tuition Revenue: \$1.2B

Why are these revenues so important?

- 70% of total spending on instruction
- 77% of total spending on student services
- 72% of total spending on faculty compensation
- 93% of the total budget of CLA*
- 78% of the total budget of IT*
- 75% of the total budget of CFANS*

* Excludes sponsored revenues.

Revenue Trends: Change in Revenue Mix

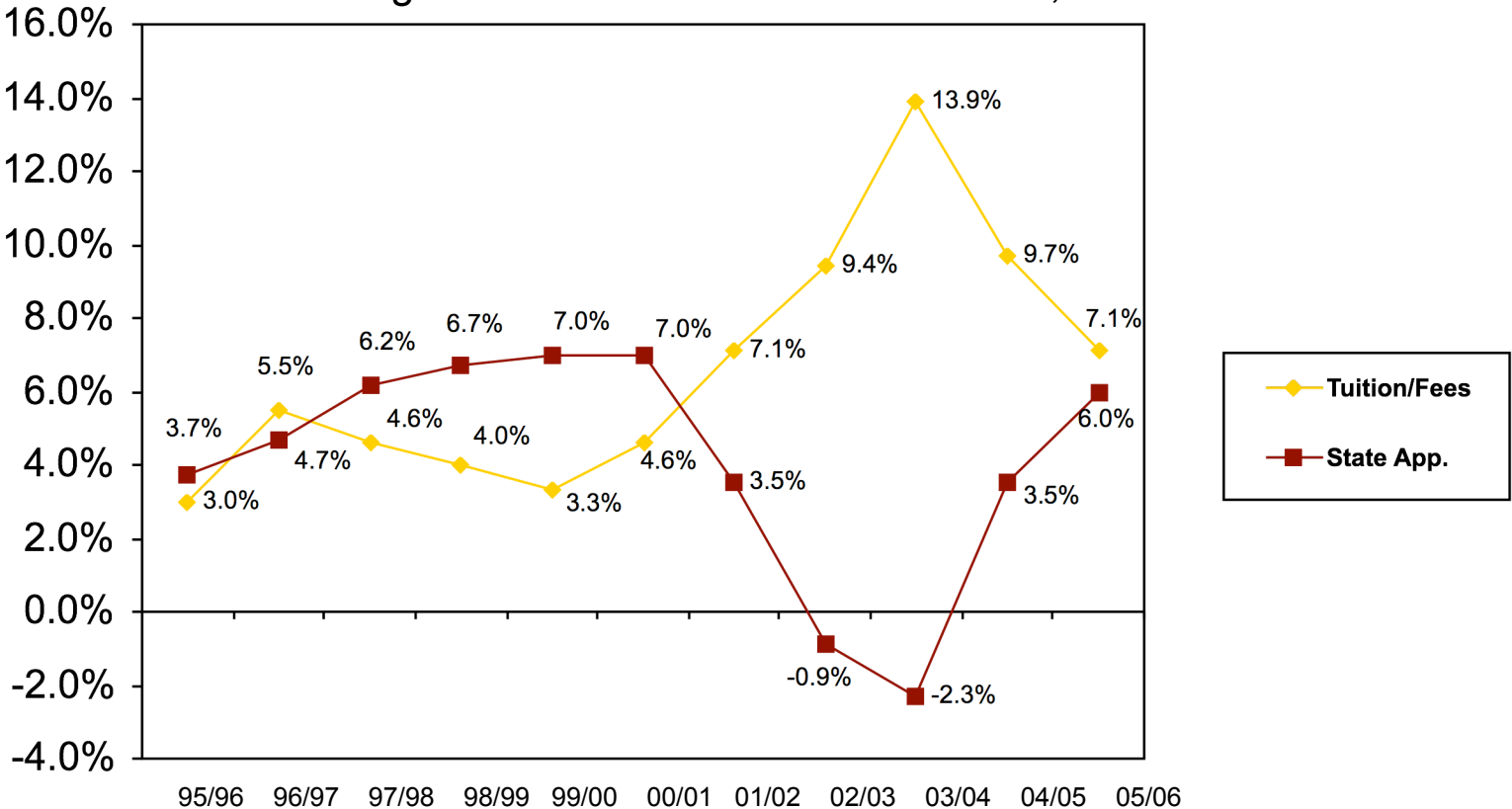


Revenue Trends: Big Ten Tuition and Growth

<i>Big Ten Campus</i>	<i>2007-08 Resident Tuition & Required Fees</i>	<i>10-Year Avg Growth Rate</i>	<i>5-Year Avg Growth Rate</i>	<i>1-Year Avg Growth Rate</i>
Penn State	\$12,844	118%	50%	6 %
Illinois-Urbana	\$11,130	154%	66%	13%
Michigan	\$11,111	78%	40%	7 %
Michigan State	\$9,912	97%	55%	12%
Minnesota	\$9,598 (5th)	115% (7th)	53% (4th)	5% (6th)
Ohio State	\$8,676	135%	52%	0 %
Indiana	\$7,837	99%	47%	5 %
Purdue	\$7,416	121%	33%	5 %
Wisconsin	\$7,188	122%	62%	7 %
Iowa	\$6,293	128%	50%	3 %

Revenue Trends: Tuition and State Support

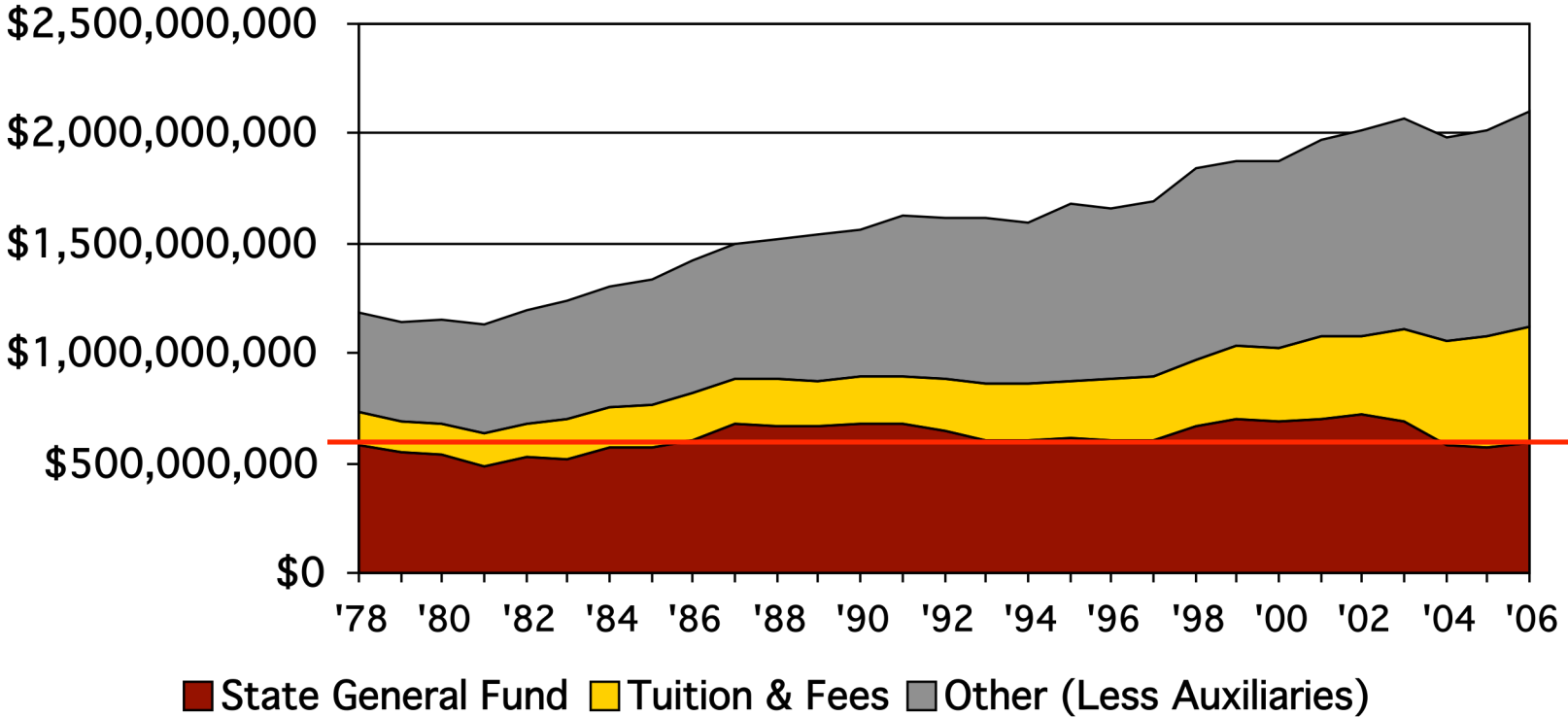
Resident Undergraduate Tuition and State Appropriations for Public Colleges and Universities: National Data, 1995-2006



Source: American Association of State Colleges and Universities, Dec. 18, 2006

Revenue Trends: Adjusted for Inflation

University of Minnesota Funding: FY 1978 – FY 2006
(in 2006 dollars, adjusted for inflation)



What Can We Do?

- **Set policy** that reflects our mission and strategic goal.
 - **Regents policy on Tuition and Fees:** Shared responsibility; access, retention, and timely progress; tuition drivers
- **Establish principles and goals** that reflect our policy.
 - **Last spring:** Does our tuition strategy support student success? Does it position us well for the future?
- **Implement reforms and take action** in accordance with those principles and goals.
 - **Last spring:** Implemented reforms that reduced the cost of higher education for many students.
- **Develop alternative financial resources** and strategies to support our mission and strategic goals.

Ensuring Affordability: Tuition Reforms

Recent tuition reforms:

- **Established a 13-credit tuition band** at UMTC, UMC, UMD, and UMM to meet four-year graduation goals and help students control the total cost of education.
- **Reset undergraduate tuition rates** for UMD and UMM below the UMTC rate to be more competitive in the regional marketplace.
- **Eliminated nonresident tuition rates** for UMC and UMM.
- **Reduced nonresident, non-reciprocity rates** for undergraduate students at UMD and UMTC.
- **Changed Wisconsin reciprocity agreement** to establish tuition rates for Wisconsin students that are the same as for Minnesota residents.

Ensuring Affordability: Financial Assistance

Recent student-support initiatives:


- **The Promise of Tomorrow Scholarship Drive** has raised \$210M in private donations and matching funds to support students across the U's campuses.
- **The groundbreaking Founders Free Tuition Program** guarantees aid equal to tuition and required fees for all low-income, Pell-eligible Minnesota students.
 - The average family income of Founders scholars is \$25K per year.
 - Currently, the program supports 4,000 students system-wide – 36% of whom are students of color.
 - When fully implemented next year, 4,200 students will receive more than \$20M in support from U resources.
- **Since 2005, the University has strategically invested \$22.5M** to support graduate education, with nearly \$17M in the form of grants and fellowships.

Ensuring Affordability: Financial Aid Levels

UMTC Baccalaureate Enrollment: 28,612 Students

<i>Aid Type</i>	<i>Percent of Students</i>	<i>Dollars per Student</i>
Loans (Students and Parents)	54.4%	\$8,565
Agency Grants	11.1%	\$2,025
Federal Grants	20.2%	\$3,407
State Grants	21.7%	\$3,628
UM Scholarships	36.0%	\$4,163
Grant/Scholarship Aid (All Sources)	48.0%	\$6,650
Financial Aid (All Types)	72.3%	\$10,869

Financing the Future: Key Conclusions

- **The U is a “good buy”** and the same great investment it’s always been.
 - **Tuition is an essential part** of the U’s budget, and should remain so.
 - **Tuition is tied tightly to state funding levels**, which are flat or declining nationally.
 - **The U works hard to ensure affordability**, reduce costs, and improve productivity.
 - **Students can also help manage the cost** of higher education through timely graduation.
- 

Financing the Future: Looking Ahead

Key Policy Questions:

- What is the essential role of this revenue stream in support of the University's mission?
- What are the historic trends and future projections for this revenue stream at the University, and how does that compare with our peers?
- What actions must be taken to develop this revenue stream and make it more productive?
- Does this revenue source support our strategic plan and goal at an appropriate level?
- **What will it take to finance the future of the University, and how can we achieve it?**

Our goal is a consistent and principled approach to developing each of our revenue streams.



Financing the Future: The Role of Tuition

President Robert H. Bruininks

February 8, 2008



UNIVERSITY OF MINNESOTA

Driven to DiscoverSM