

President's Recommended FY2009-10 Annual Operating Budget

Presentation to the Board of Regents

June 12, 2009



UNIVERSITY OF MINNESOTA

Driven to DiscoverSM

Annual Operating Budget: Two-Year Cycle

Fiscal Year 2009-10
President's
Operating Budget Plan

Fiscal Year 2010-11
President's
Preliminary Financial Plan

Budget Principles

- Maintain the U's **momentum, quality and competitiveness**
- Compensate, support & retain **talented faculty & staff**
- Improve **financial access and affordability for all students**
- Increase productivity by **reducing costs and increasing revenues**
- Use all available tools to **address long- and short-term challenges**

Budget Goals

We must:

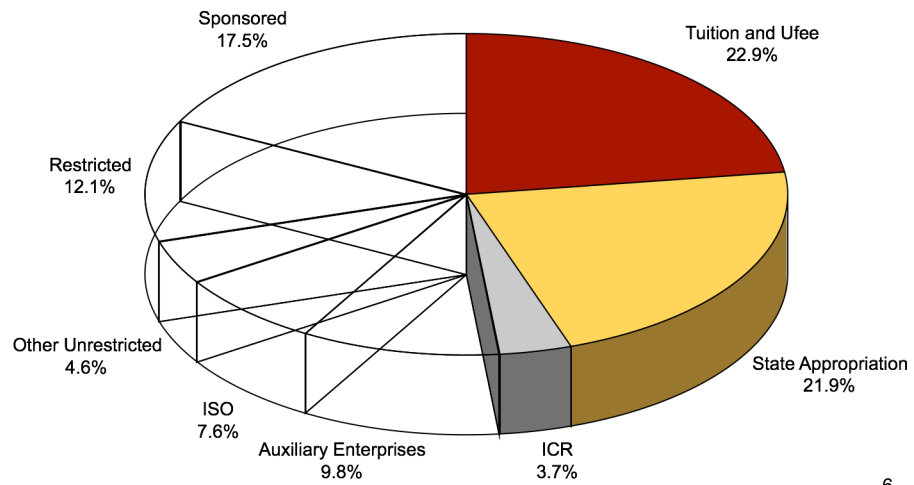
- Balance the budget while addressing **increased costs and essential investments** for the next two years.
- Transition to a **significantly lower level of state revenue** in the 2012-2013 biennium.
- Maintain the **direction, momentum, strengths, quality and productivity** of the University.
- Strengthen the U's **commitment to financial access and affordability**, especially for low- and middle-income Minnesota students.

Meeting the Challenge Proactively

- **Retirement Incentive Option (RIO)**
- **Targeted reduction plans (5% and 8%)** for every academic and administrative support unit statewide
- **Hiring pause**
- **Administrative restructuring**
- **Workforce reductions**
- **Other cost reductions**
 - Energy
 - Healthcare
 - Construction
 - Maintenance
 - And more

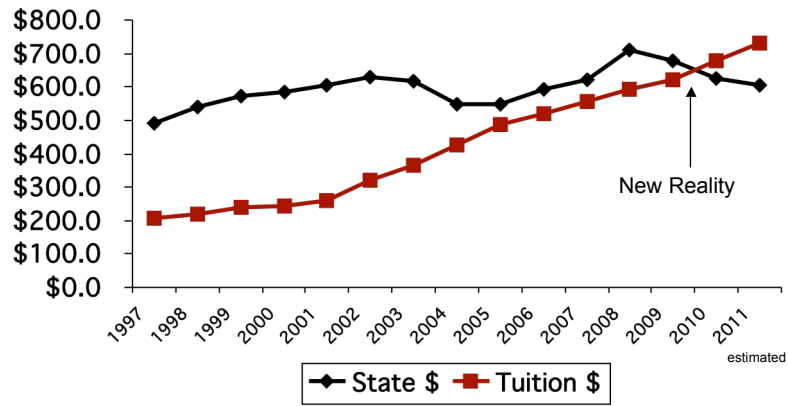
FY2008-09 All-Funds Revenue Sources

Total: \$3B

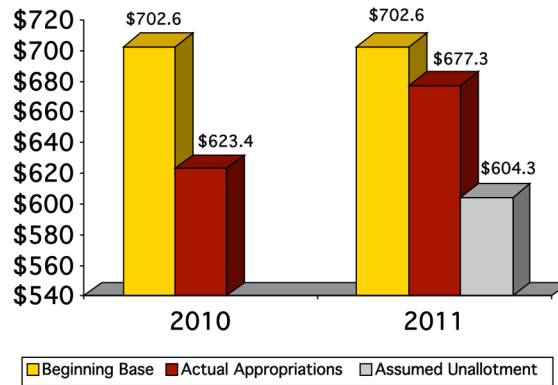


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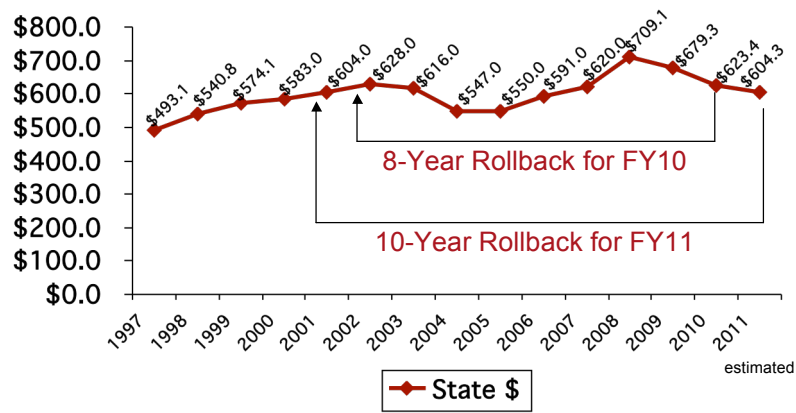
Funding Trends, 1997 to 2011



2009 Legislative Outcome: FY10 & FY11 General Fund Appropriations

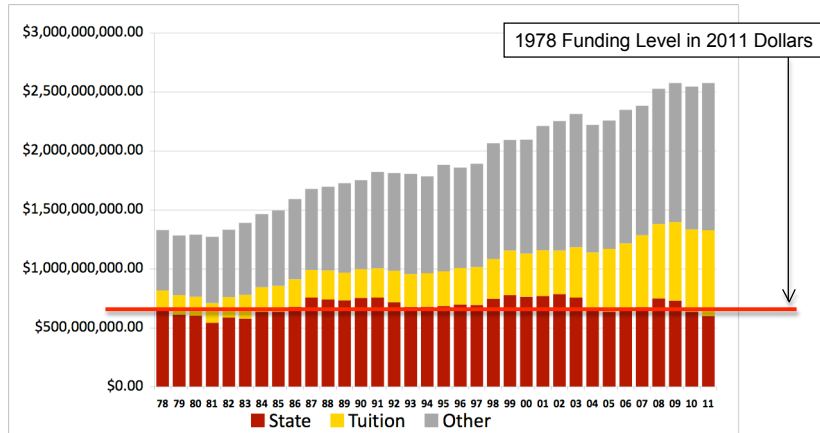


Funding Trends: Rollback



Funding Trends: Adjusted for Inflation

Projected Funding in 2011 Dollars
(adjusted for inflation using CPI)*



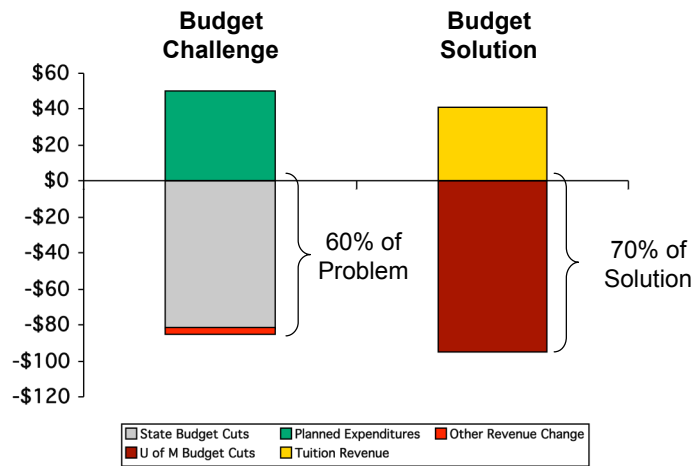
* Assumes inflation of 2% per year in FY08, FY09, FY10; 5% annual growth in other revenue for FY09 – FY11; state funding of \$600M in FY11 following unallotment.

2009-10 Recommended Operating Budget

	<u>Resource Plan</u>
Change in State Appropriations	(\$81,800,000)
University Budget Reductions	\$ 94,900,000
One-time Reallocations	(\$ 3,600,000)
Student Tuition Revenue	\$ 41,000,000
Federal Stimulus	<u>\$ 89,300,000</u>
Total Incremental Resources	\$139,800,000
	<u>Expenditure Plan</u>
Required Fringe Benefit Costs	\$ 20,800,000
Founders Scholarship Program	\$ 3,600,000
Facility Operations	\$ 10,100,000
Contractual Obligations/Investments	\$ 16,000,000
Federal Stimulus (ARRA)	<u>\$ 51,000,000</u>
Total Incremental Expenditures	\$101,500,000
Balance Forward	\$38,300,000*

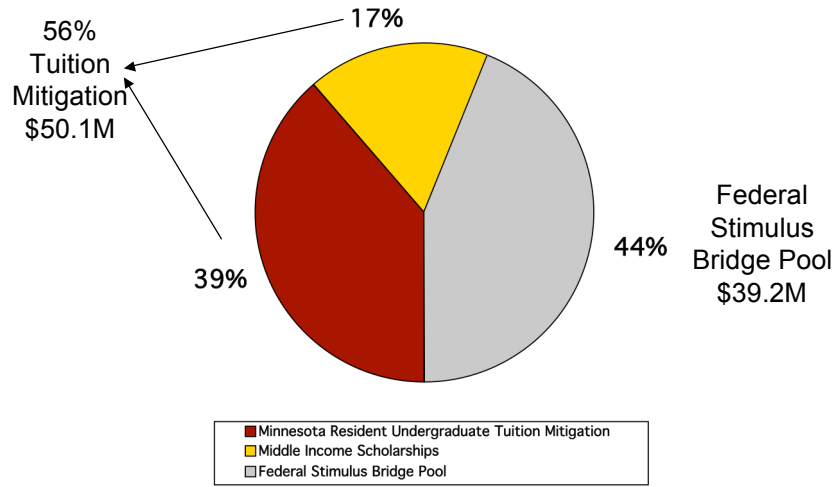
**Balance Forward reflects timing of expenditures of federal stimulus funds primarily related to cost of tuition mitigation programs for FY11.*

2009-10 Recommended Operating Budget: Solving the Problem



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Federal Stimulus Funding (ARRA): Total Available \$89.3M



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2009-10 Workforce Reductions

This proposed budget includes **the elimination of 1,240 positions in FY10 statewide**, including:

- More than 220 open faculty positions
- More than 280 non-student staff positions
- More than 200 RIO positions
- Nearly 160 student positions
- And more than 370 layoffs or nonrenewals

2009-10 Budget Impacts

We will make **\$95M in internal cuts in FY10** – cuts that have a real impact on our mission. For example:

- **AHC:** Faculty time redirected from research to clinical production, resulting in a loss of research productivity and funding
- **STEM Programs:** Reduced funding for updating instructional equipment, negatively affecting instruction and accreditation
- **CSOM:** Increased reliance on part-time instructors place accreditation and reputation at risk; reduced staffing diminishes student experience
- **Agricultural Experiment Stations:** Reduced funding across all areas, significantly impacting graduate student positions
- **Library:** Reduced support to library users; reduced engagement in instruction and research; reduced capacity for managing collections

Commitment to Student Financial Support

The University of Minnesota has made student financial support a top priority:

- Over the past five years, **the U has raised more than \$260M** to support new scholarships for students.
- **All low-income Minnesota undergraduates attend tuition-free** – that's 12% of all undergraduates.
- **Half of all U students receive grant or scholarship support** that discounts the cost of tuition by an **average amount of \$6,650**.
- Today, **the U is providing undergraduates \$75M in scholarships** and grants – more than the state and federal government combined!
- Approximately **5,000 graduate students and 1,500 first-professional students receive financial support** from the University of Minnesota.

We will continue to lead on this issue by ensuring a strong need-based component in our long-term scholarship strategy, especially for middle-income Minnesota students.

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Middle-Income Scholarship Support

Approximately **7,500 Minnesota students** from families with an **annual income of \$40K to \$100K** will be eligible for additional support:



Family income = \$50K-\$60K

- \$1,500 middle-income scholarship
- \$783 Pell/State Grant increase
- \$420 Federal stimulus funding

Change in tuition: -\$1,983 or -20.7%

NOTE: These students and their families will also benefit from the \$700 increase in the federal Hope tax credit.

Middle-Income Scholarship Support

Under this plan, **more than 60% of Minnesota resident undergraduates would actually see their tuition decrease.**



Family income = \$80K-\$90K

- \$750 middle-income scholarship
- \$420 Federal stimulus funding

Change in tuition: -\$450 or -4.7%

NOTE: These students and their families will also benefit from the \$700 increase in the federal Hope tax credit.

Thanks to federal stimulus support, **no Minnesota undergraduate will experience an increase of more than 3%.**

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Key Conclusions

- **Our state budget base is being cut substantially.** In two years we will have significantly less state support than we do today.
- **This is not a short-term problem.** Reductions could set our state budget base back 10 years, with no guarantees for the future.
- **Federal stimulus funds are a temporary bridge to the future.** They enable us to lower costs for students and more gradually achieve required cost savings and revenue enhancements.
- **Tuition provides essential operating revenue.** Beginning next year tuition revenue will be more important than ever before.
- **We can maintain affordability.** We must continue fundraising and increase financial aid for Minnesota students.
- **The next two years are critical.** We must refine our long-term resource strategy, reduce costs and grow revenue while improving productivity and maintaining quality.

Questions?

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