

President's Recommended FY2010-11 Annual Operating Budget

Presentation to the Board of Regents

June 11, 2010



UNIVERSITY OF MINNESOTA

Driven to DiscoverSM

Four-Year Budget Planning (Each Biennium)

PART 1

Fiscal Year 2009-10:
President's Recommended
Operating Budget Plan
(Spring 2009)

PART 2

Fiscal Year 2010-11:
President's Recommended
Operating Budget Plan
(This Month)

PART 3

Future Planning:
FY2012 & FY2013 Scenarios
(This Fall)

Four-Point Strategy

- **Maintain the U's momentum, quality, and competitiveness**
 - Set clear academic priorities consistent with our principles, vision, mission, and goals – and invest accordingly
 - Compensate, support, and retain talented faculty and staff
 - Improve financial access and affordability for all students
- **Increase productivity and maximize efficiency**
 - Reduce costs and overhead while improving quality and service
 - Use all available tools to address long- and short-term challenges
- **Make the case for public investment**
 - Stabilize, protect, and leverage state support
- **Grow reliable sources of financial support**
 - Increase non-state revenues while preserving shared values

Meeting the Challenge Proactively

Past planning helps meet today's challenges:

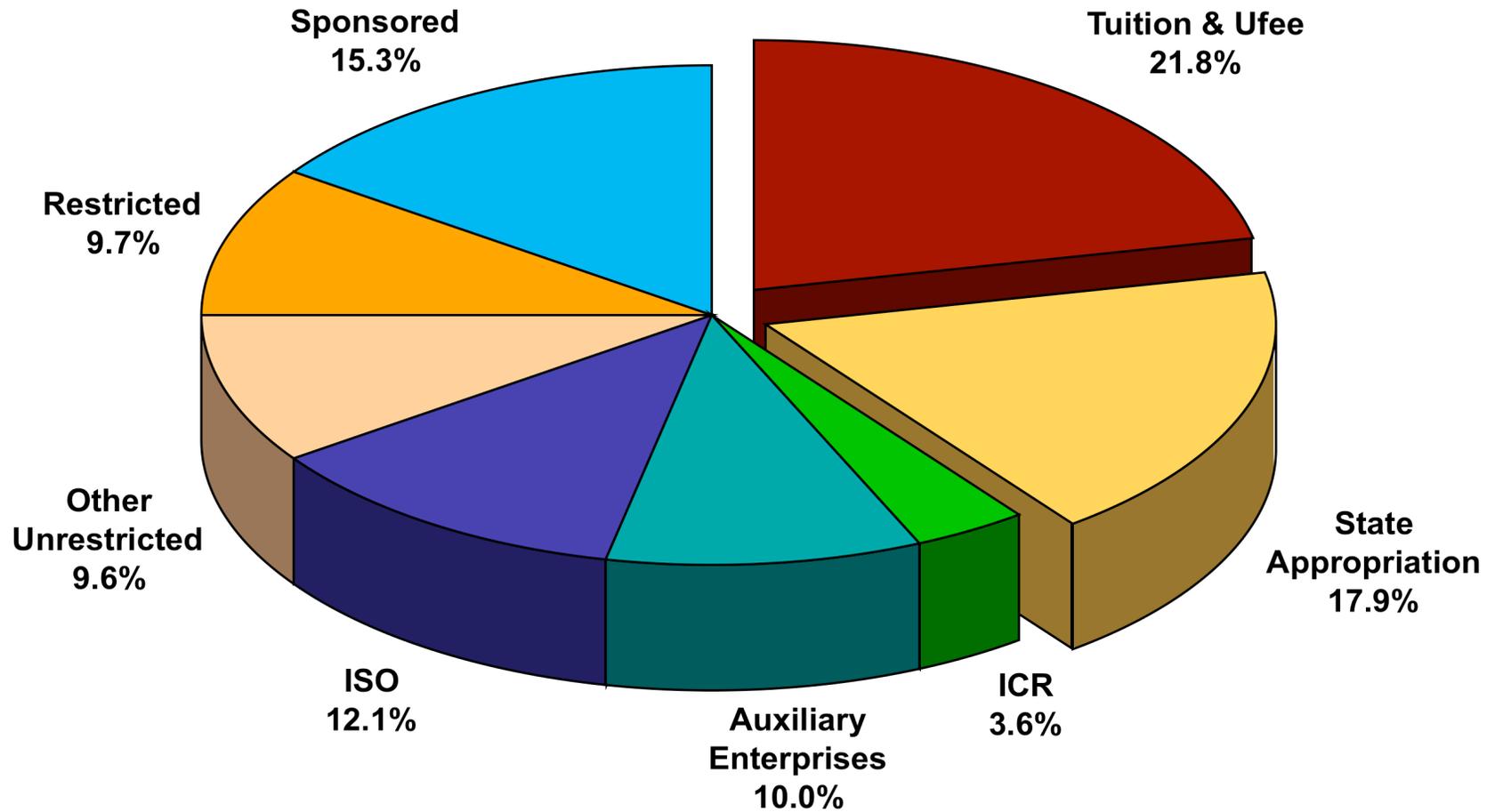
- RIO and restricted hiring
- Disciplined reform, reorganization, and cost reductions, including:
 - Construction management and energy practices
 - College and Extension academic and administrative reorganizations

Current actions will help next year and beyond:

- Compensation planning
- Postponed or canceled capital projects and decommissioned buildings
- AHC, Graduate School, and other reorganizations and consolidations
- Information technology planning and best practices
- Strategic procurement initiative
- Strategic academic priorities and reinvestment
- Growth of non-state revenue

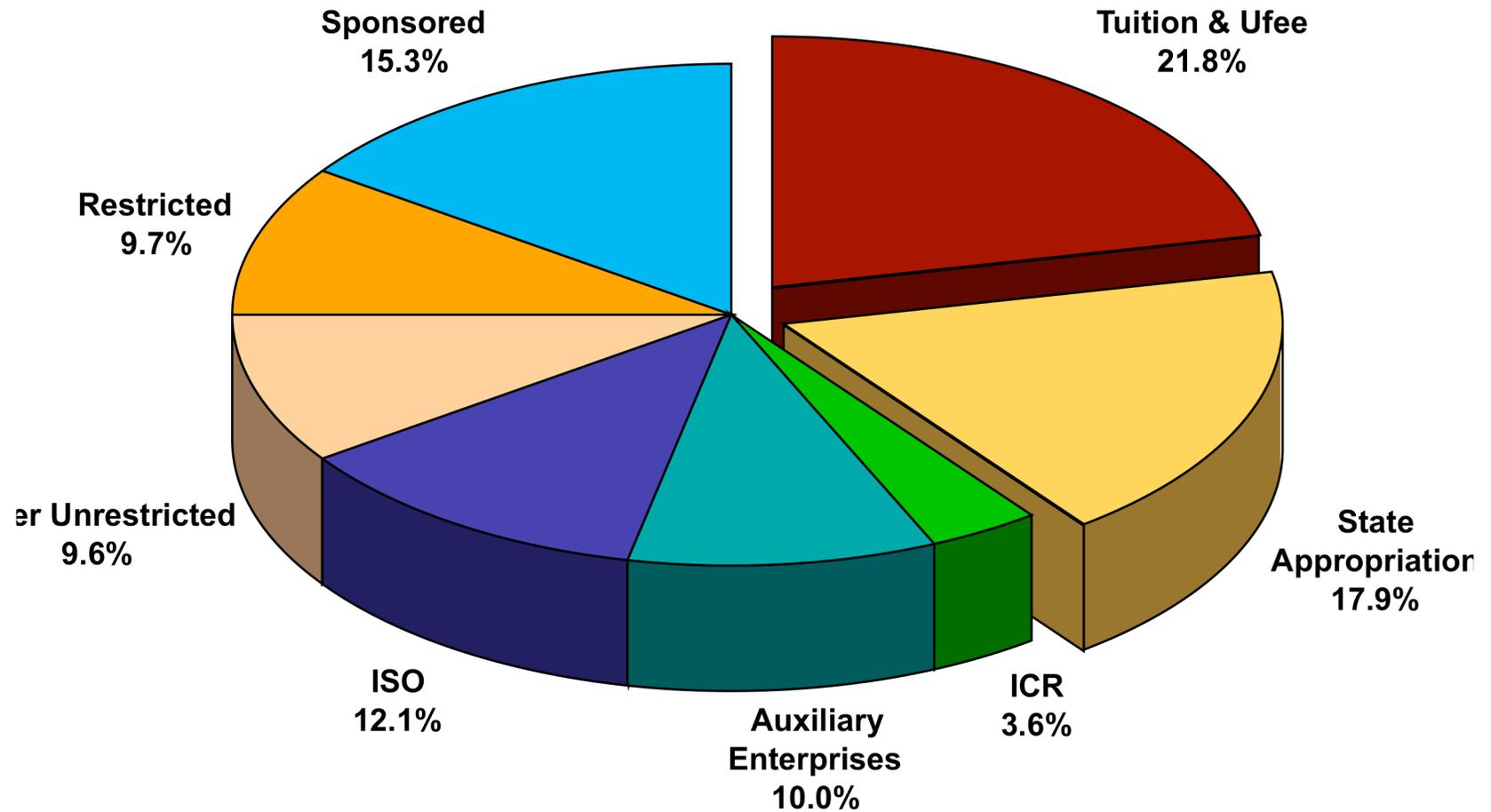
University of Minnesota Revenue Sources

All Funds FY2010-11: \$3.4B



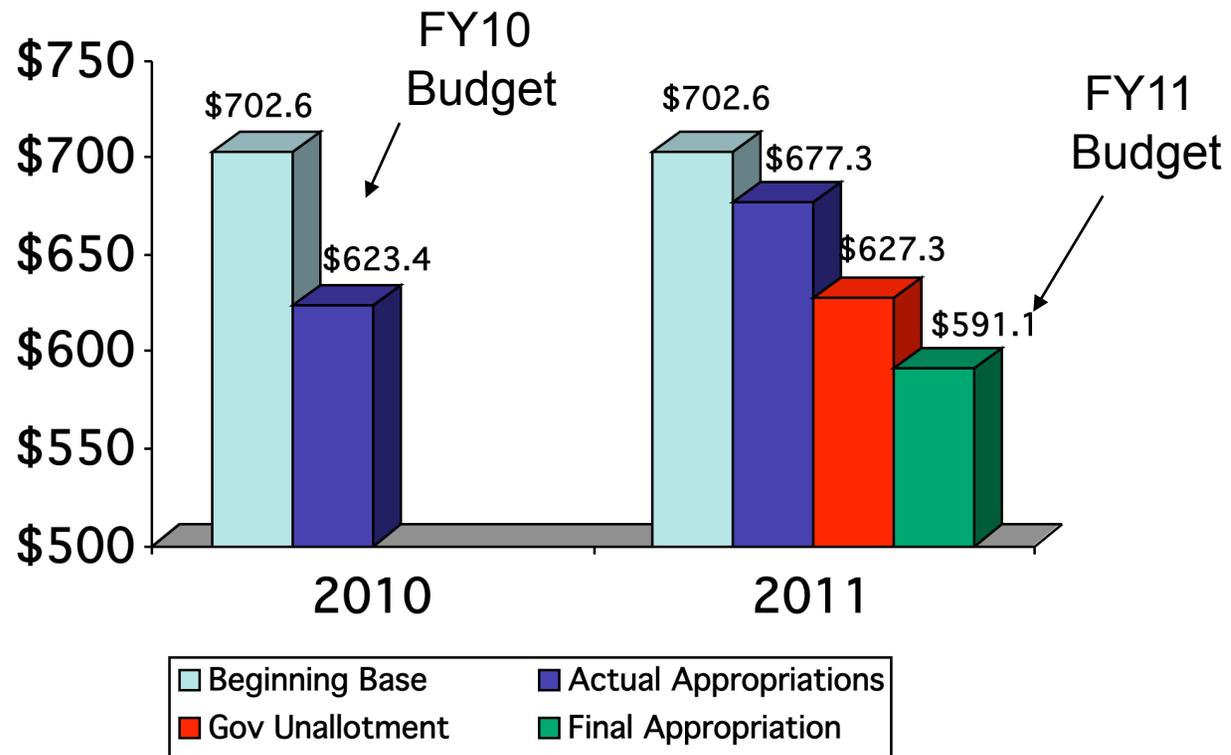
University of Minnesota Revenue Sources

All Funds FY2010-11: \$3.4B



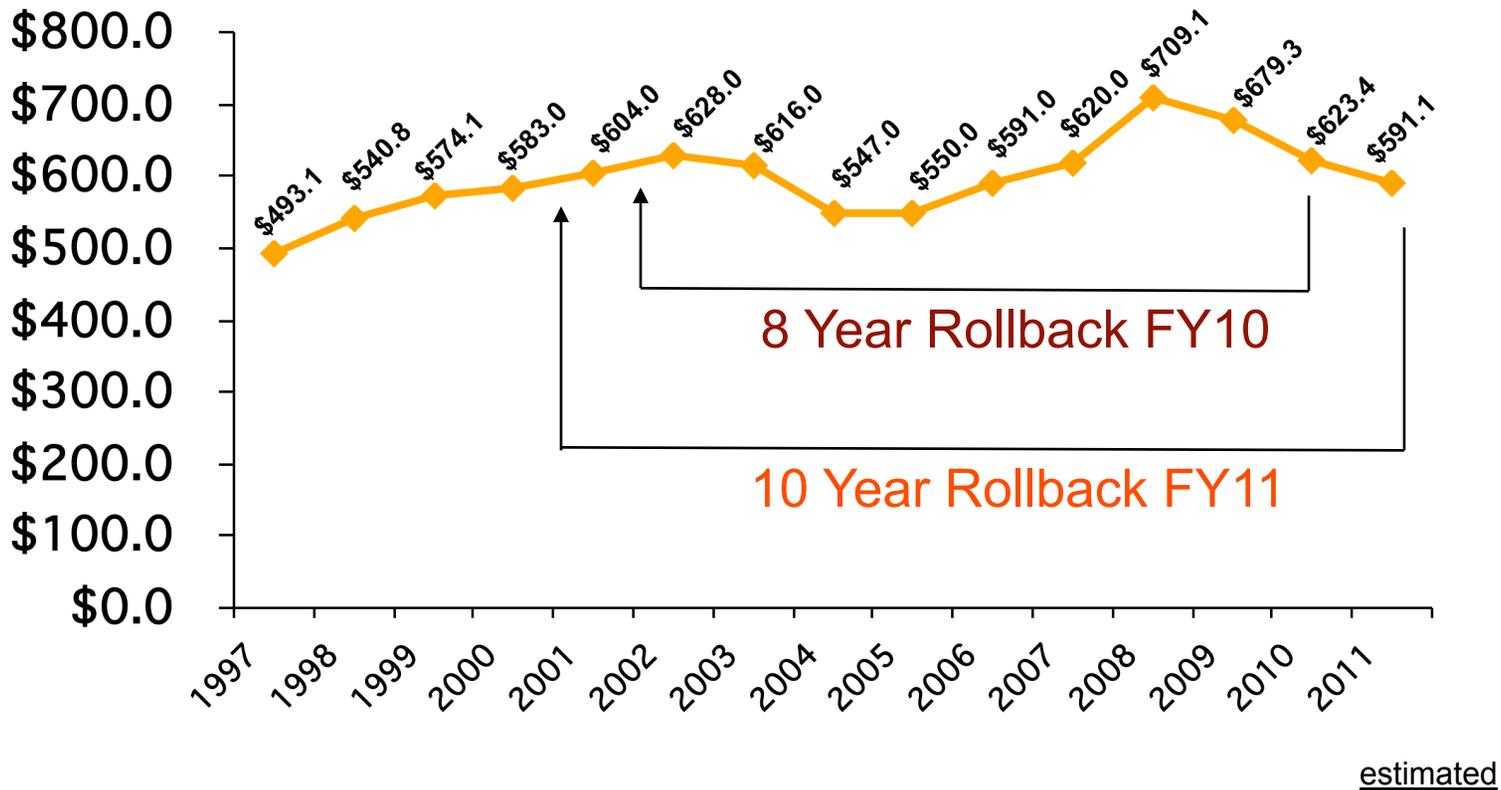
2009 and 2010 Legislative Outcome

FY10 & FY11 General Fund Appropriations*

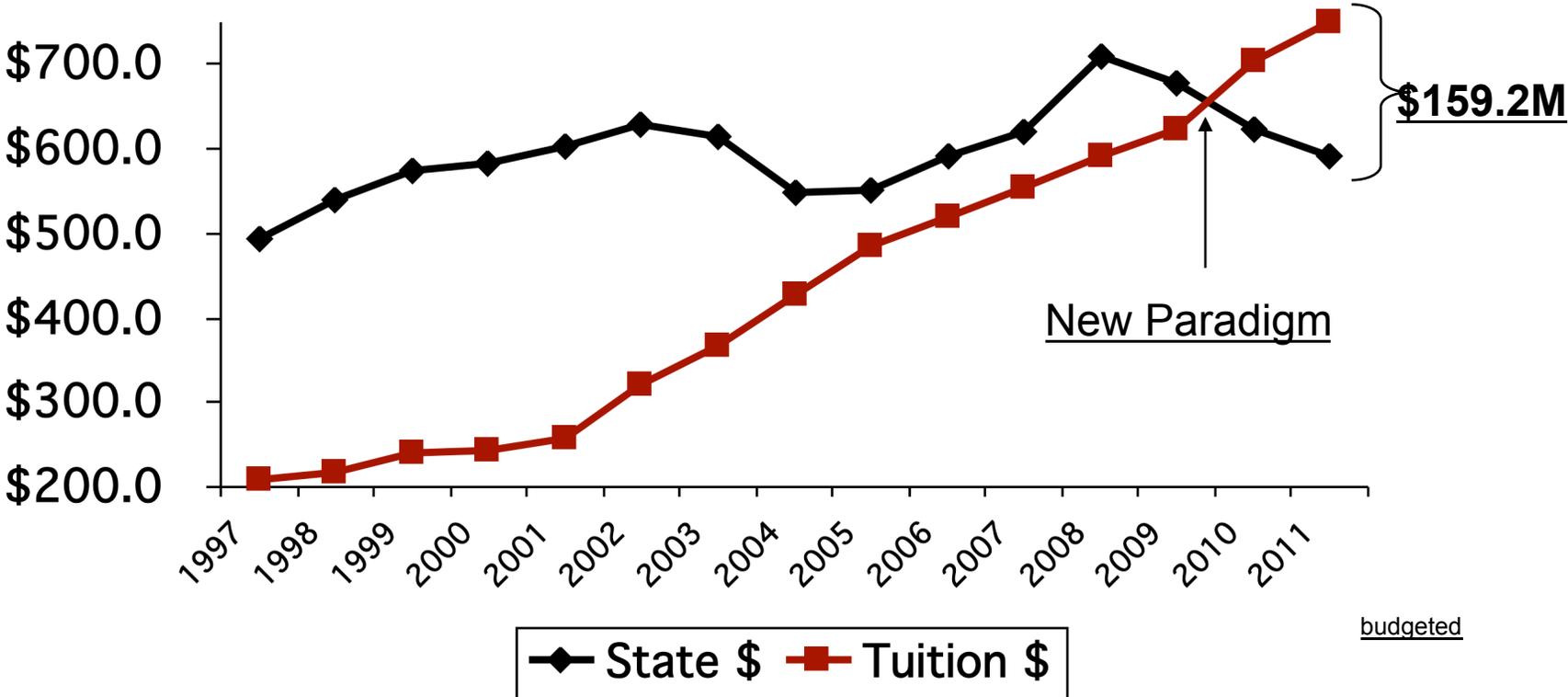


*Excludes cigarette tax, MnCare and special project appropriations

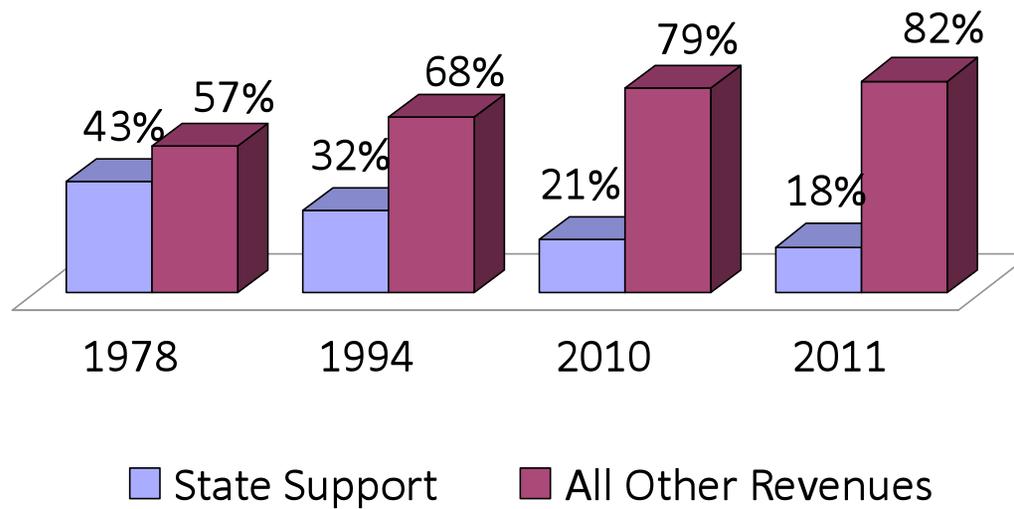
State Appropriations Trend, 1997 to 2011



Trend in Tuition & State Funds, 1997 to 2011



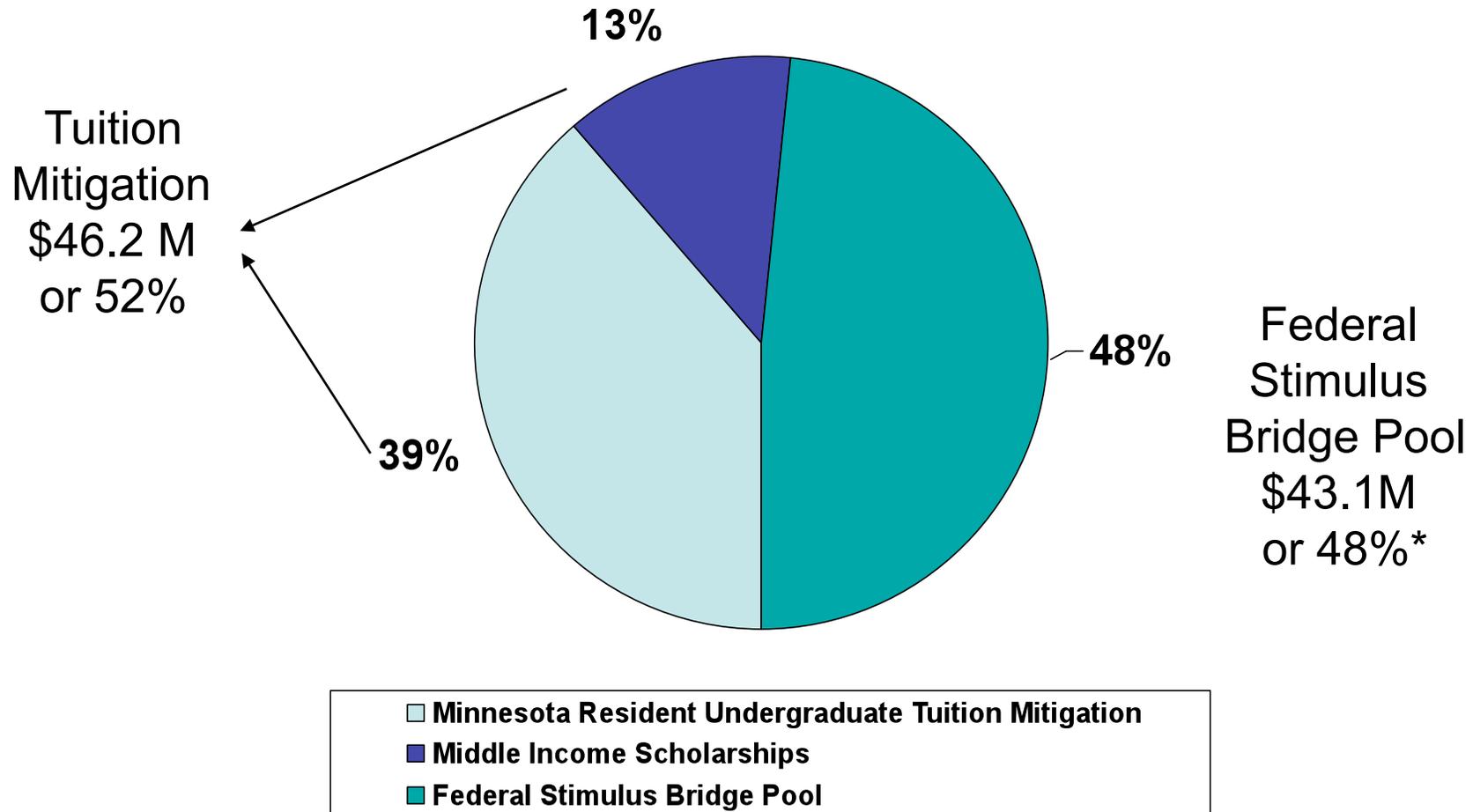
The New Normal



The share of the University's budget provided by the State of Minnesota has dropped precipitously. State appropriations comprise only 18% of the University's FY 2011 budget.

Federal Stimulus Funding (ARRA)

Total Available \$89.3M



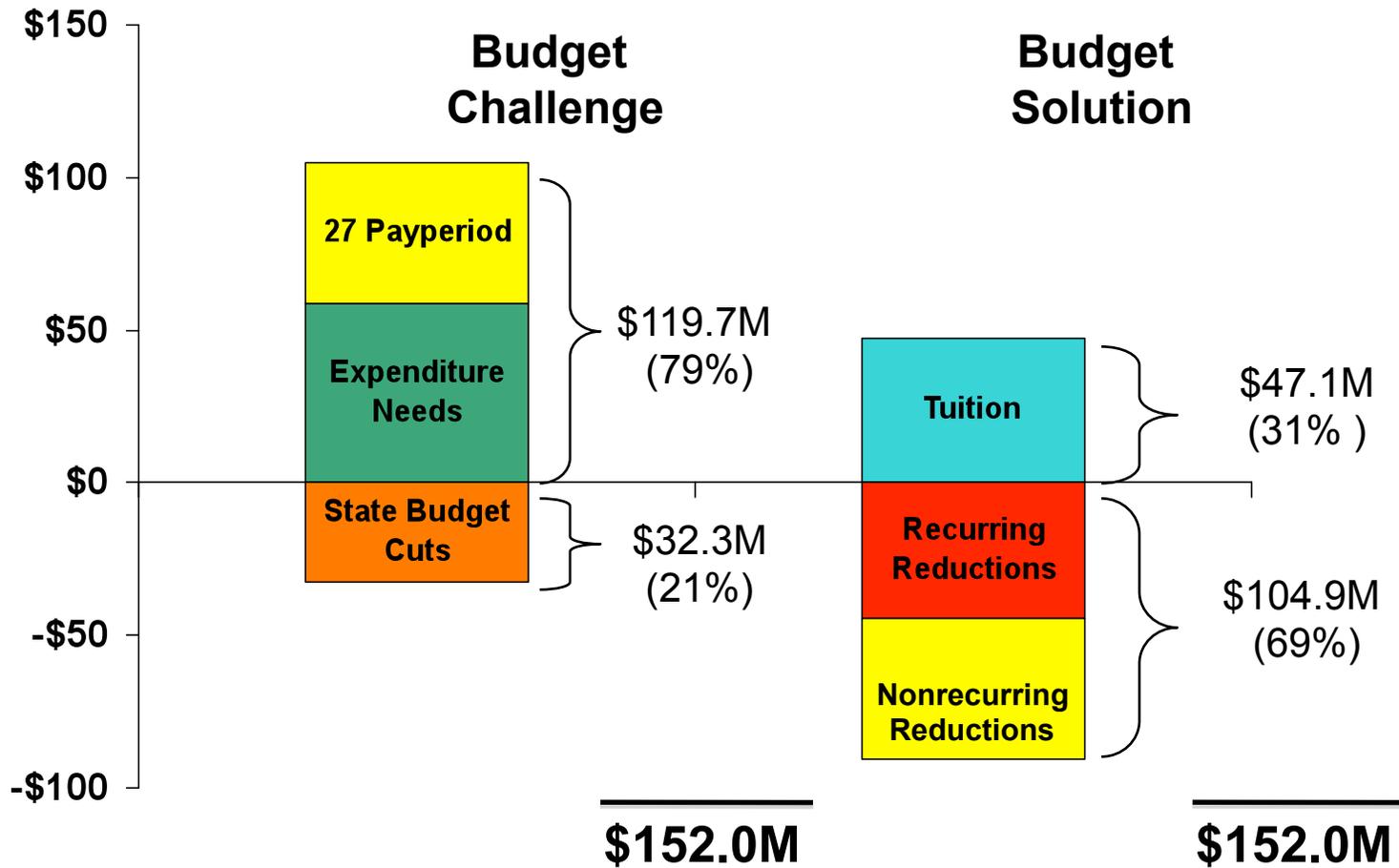
* Of the \$43.1M, \$19.6M will be applied to financial aid, allowing for the redirection of an equal amount of O&M dollars to support nonrecurring investments.

FY2010-11 Onetime Investments: \$15.5M

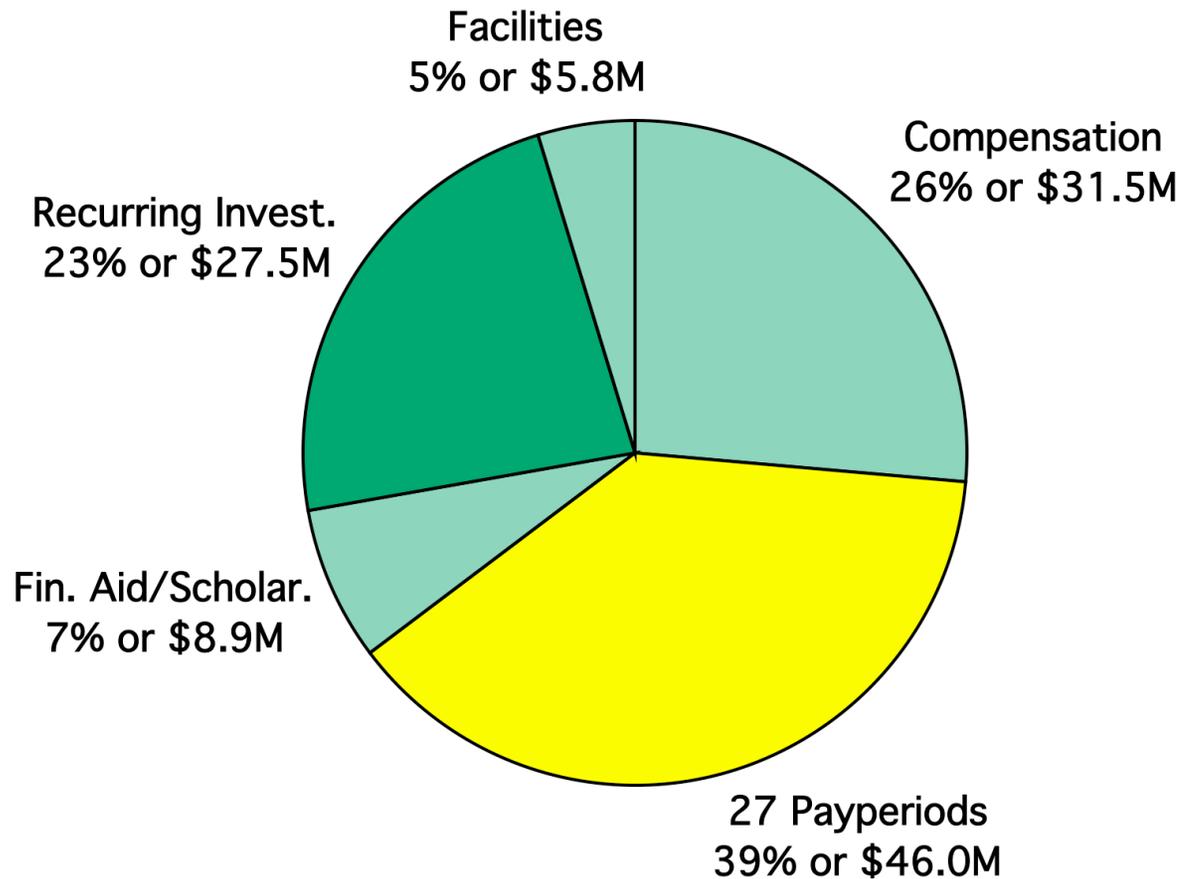
Examples

- \$2.5M to provide **bridge funding for instructional staff** (UMTC/UMD)
- \$4.3M to support **start-up and one-time costs of new faculty hires and retentions** (UMTC/UMR)
- \$2.6M to provide **bridge funding for recurring reductions in support units** (UMTC)
- \$2.4M to support **academic facility improvements** such as new Student Learning Commons in Dentistry, Digital Fabrication Lab and Virtual Reality/Visualization Lab for College of Design, as well as the renovation of teaching labs (UMTC/UMC)
- \$226K to **support increased grant activity** largely due to stimulus-funded grants
- \$200K for a **scholarship search and management tool** for undergraduates

FY2011 Budget Challenge: \$152.0 Million



FY2011 Budget Challenge: University Portion = \$119.7M



FY2011 Budget: Recurring Investments

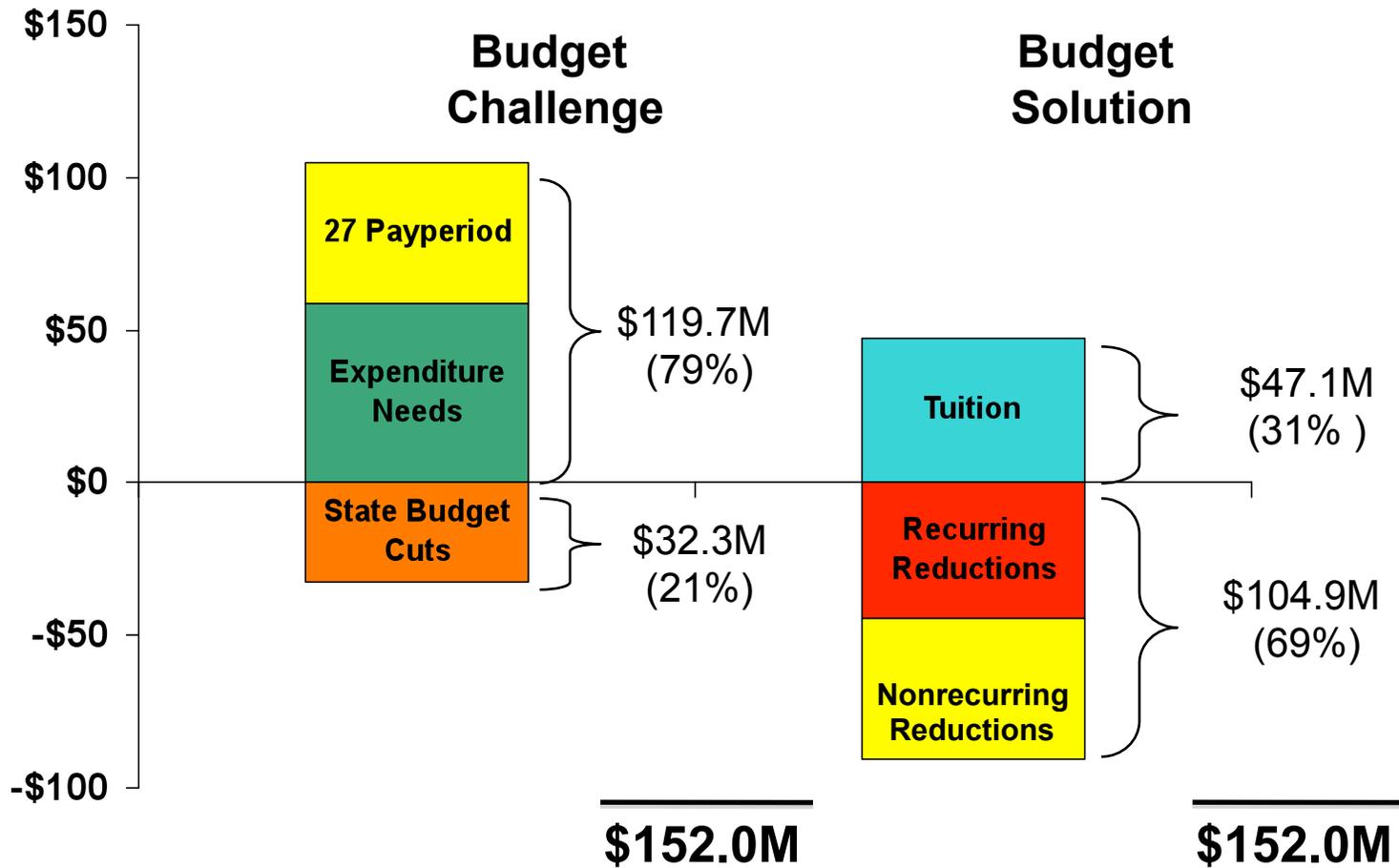
Examples



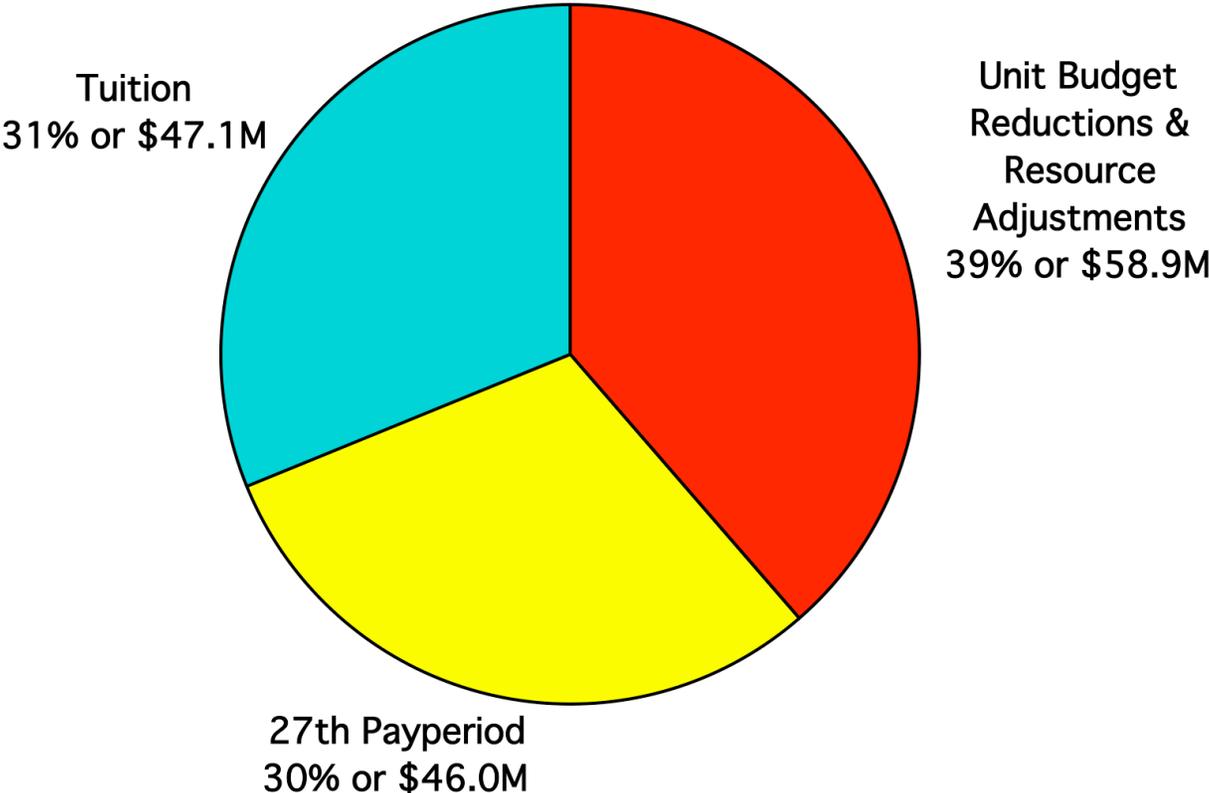
Strategic investments in units:

- \$14.6M directed back into collegiate and campus operations
- \$2.6M to meet scholarship matches for increased private support
- \$2.0M to meet new debt service costs for Folwell Hall and the Medical Biosciences Bldg
- \$1.1M to University hardware and software maintenance agreements
- \$372,000 for faculty award programs (Regents Professors/ Teaching Academy members)

FY2011 Budget Challenge: \$152.0 Million



FY2011 Budget Balancing Strategy: \$152.0M



FY2011 Budget Balancing Strategy: \$152.0M



Assignment of specific reductions & resource adjustments accomplished in budget discussions with each unit:

- Twin Cities non-collegiate support units cut averaged 3% (\$9.7M), with a range of 1% to 9%.
- Twin Cities academic units and outstate campuses ranged from 0% to 11%.

Much of the impact is seen in reduced or eliminated positions; open positions not filled; cutbacks in general operations; reductions in travel, printing, and consultants; and offsetting or bridging cuts with use of other resources.

FY2011 Budget Balancing Strategy: \$152.0M



Assignment of specific reductions & resource adjustments accomplished in budget discussions with each unit:

- Twin Cities non-collegiate support units cut averaged 3% (\$9.7M), with a range of 1% to 9%.
- Twin Cities academic units and outstate campuses ranged from 0% to 11%.

Much of the impact is seen in reduced or eliminated positions; open positions not filled; cutbacks in general operations; reductions in travel, printing, and consultants; and offsetting or bridging cuts with use of other resources.

Commitment to Student Financial Support

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

- **Promise of Tomorrow:** Giving rates of 7 to 10 times higher than average; now approaching \$300M in support for scholarship endowments.
- **University of Minnesota Promise Scholarship (U Promise):** Strong need-based support to 13,000 low- and middle-income Minnesota resident students systemwide.
- **Graduate and professional support:** Since 2007, UMTC has invested more than \$37 million in fellowships, grants, and other assistance for graduate and professional students.

The average net price of a University education has increased an average of just 3% per year over the past nine years—and at times has actually decreased!

2010-11 Tuition and Fees

University of Minnesota 2010 -11 Tuition and University Fee Plan: Annual Increases						
	Annual Cost		Annual \$ Increase		Annual % Increase	
	Tuition + U Fee		Tuition + U Fee		Tuition + U Fee	
	Resident	Nonres	Resident	Nonres	Resident	Nonres
Crookston Undergraduate	\$9,232	\$9,232	\$644	\$644	7.5%	7.5%
Duluth Undergraduate	\$10,782	\$12,782	\$752	\$752	7.5%	6.3%
Morris Undergraduate	\$10,782	\$10,782	\$752	\$752	7.5%	7.5%
Twin Cities Undergraduate	\$11,094	\$15,394	\$774	\$1,074	7.5%	7.5%
Graduate School	\$13,344	\$20,442	\$932	\$932	7.5%	4.8%
M.B.A. Day Program	\$30,196	\$42,444	\$1,476	\$2,060	5.1%	5.1%
Dentistry *	\$34,961	\$62,122	\$2,876	\$6,373	9.0%	11.4%
Medical School (Year 1) *	\$33,999	\$43,269	\$1,671	\$3,033	5.2%	7.5%
Pharmacy	\$21,149	\$32,536	\$1,485	\$1,484	7.6%	4.8%
Veterinary Medicine	\$25,107	\$46,654	\$1,761	\$3,264	7.5%	7.5%
* Includes Summer						

In certain cases (e.g., Duluth Undergraduate, Graduate School, and Pharmacy), resident and non-resident students see an increase of an equivalent dollar amount, which yields a lower percentage increase for non-resident students. This reflects a conscious decision to maintain (rather than increase) the gap between resident and non resident students in these cases

Stimulus Dollars for Tuition Mitigation

Minnesota Resident Undergraduate Students



- Both federal and state legislation required the University to federal stimulus dollars to help mitigate tuition increases.
- As a result, this fall no Minnesota undergraduate student will see a tuition increase greater than \$450.
- On the Twin Cities campus, this translates to a maximum net tuition increase of 4.4%.

Change in Net Tuition

Minnesota Resident Undergraduate Students

Academic Years 2009-10 and 2010-11



- A returning student in Fall 2010 (non-Pell-eligible; state-grant-eligible) with a family income of \$40K to \$60K will see a 12.6% decrease in net tuition and U fee over two years or 6.3% per year, on average.
- A similar student with a family income from \$60K to \$100K will see a net increase of just 2.6% or 1.3% per year, on average.
- The with family incomes of \$100K and above will see an average annual increase of 3.9%.

Key Conclusions

- The University has made difficult decisions to weather deep reductions in state funding in the past decade.
- Through proactive, long-term strategic planning, we have reduced the long-term costs and obligations of the University.
- In recent years, we have made strong progress with regard to our strategic priorities – and nearly all of our key metrics continue to rise.
- We are concerned about the University’s ability to sustain this positive momentum if state funds continue to decline.
 - We cannot continue to raise tuition at rates higher than inflation.
 - In the past, periods of declining state support has corresponded to static sponsored research growth – which will cost Minnesota jobs.
- We’ve taken decisive action to ensure affordability, especially for Minnesota students from low- and middle-income families.
- Our employees are engaged in the University’s mission and have expressed universal willingness to sacrifice during lean times.

Looking Ahead

- We are balancing the budget and plan for the long-term future, but we remain deeply concerned about the next biennium.
 - The outlook for the future looks like more of the same.
 - As a result, we will remain focused on:
 - Making the case for strong state support of the University,
 - Growing non-state revenue,
 - Making targeted reductions and investments to protect academic quality,
 - And controlling costs.
- Planning for the next biennium will be a major topic of discussion beginning this summer and into the fall.

President's Recommended FY2010-11 Annual Operating Budget

June 11, 2010

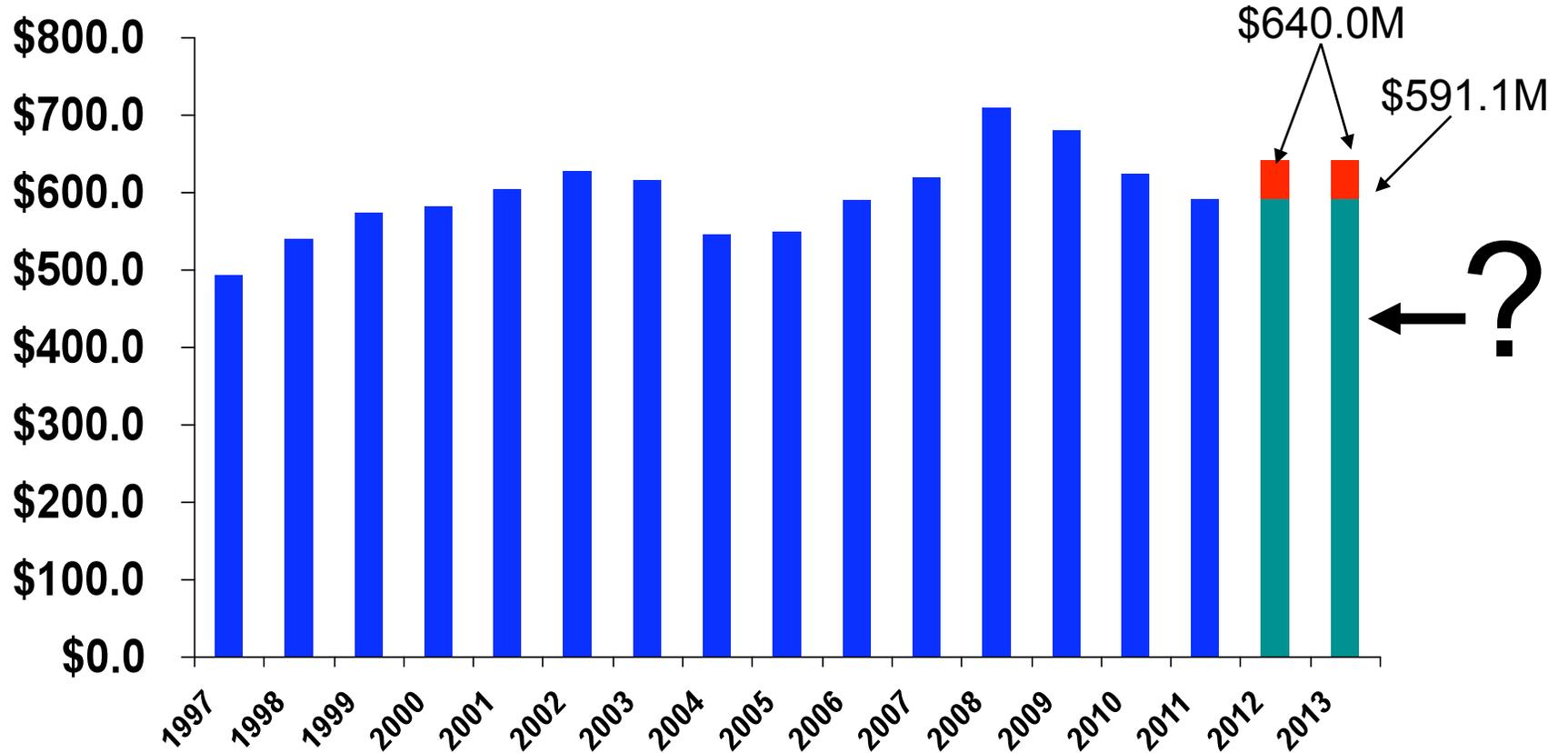


UNIVERSITY OF MINNESOTA

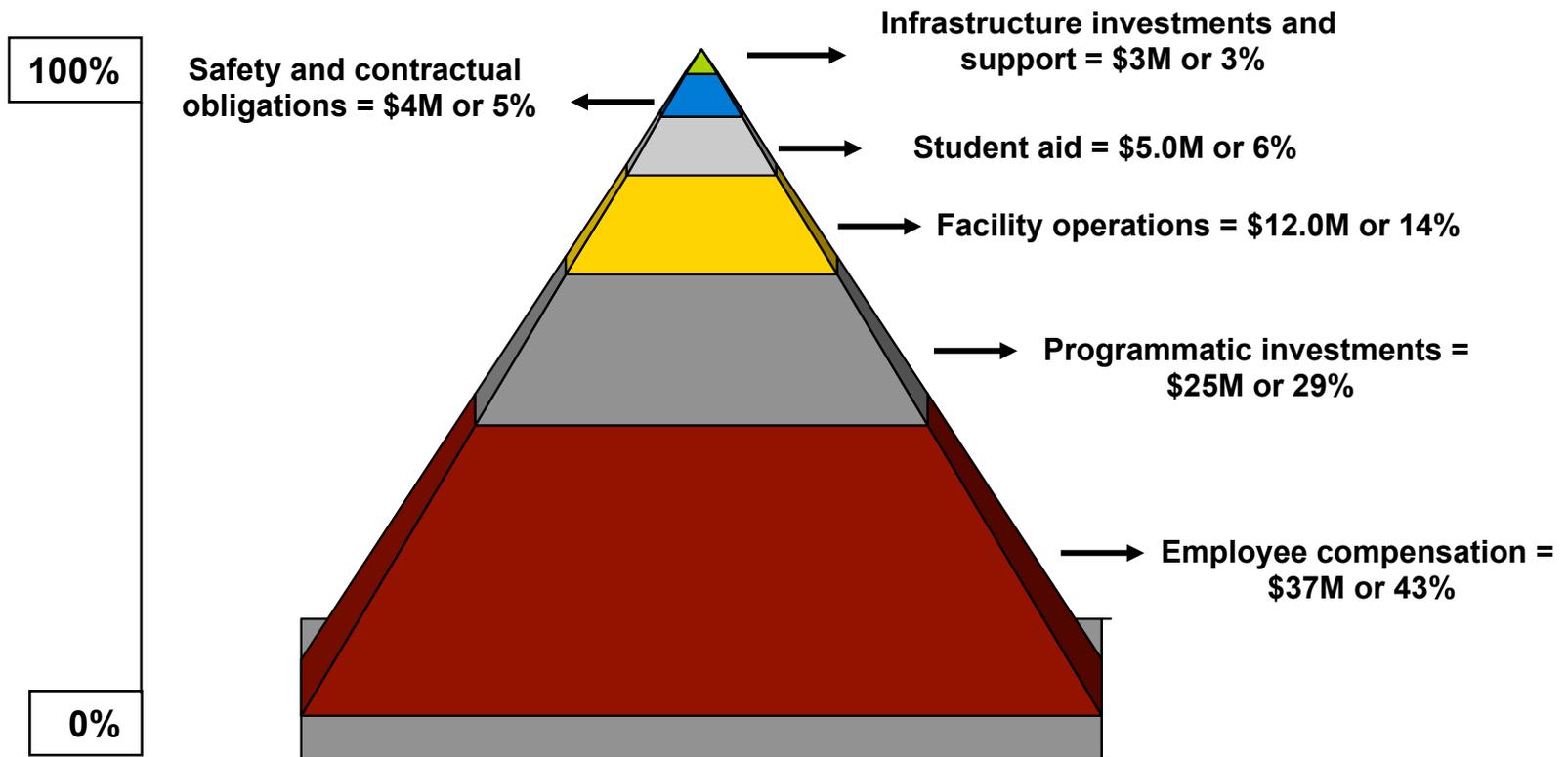
Driven to DiscoverSM

BACKUP SLIDES

University of Minnesota Operations & Maintenance/State Specials Trends State Appropriations 1997 to 2013

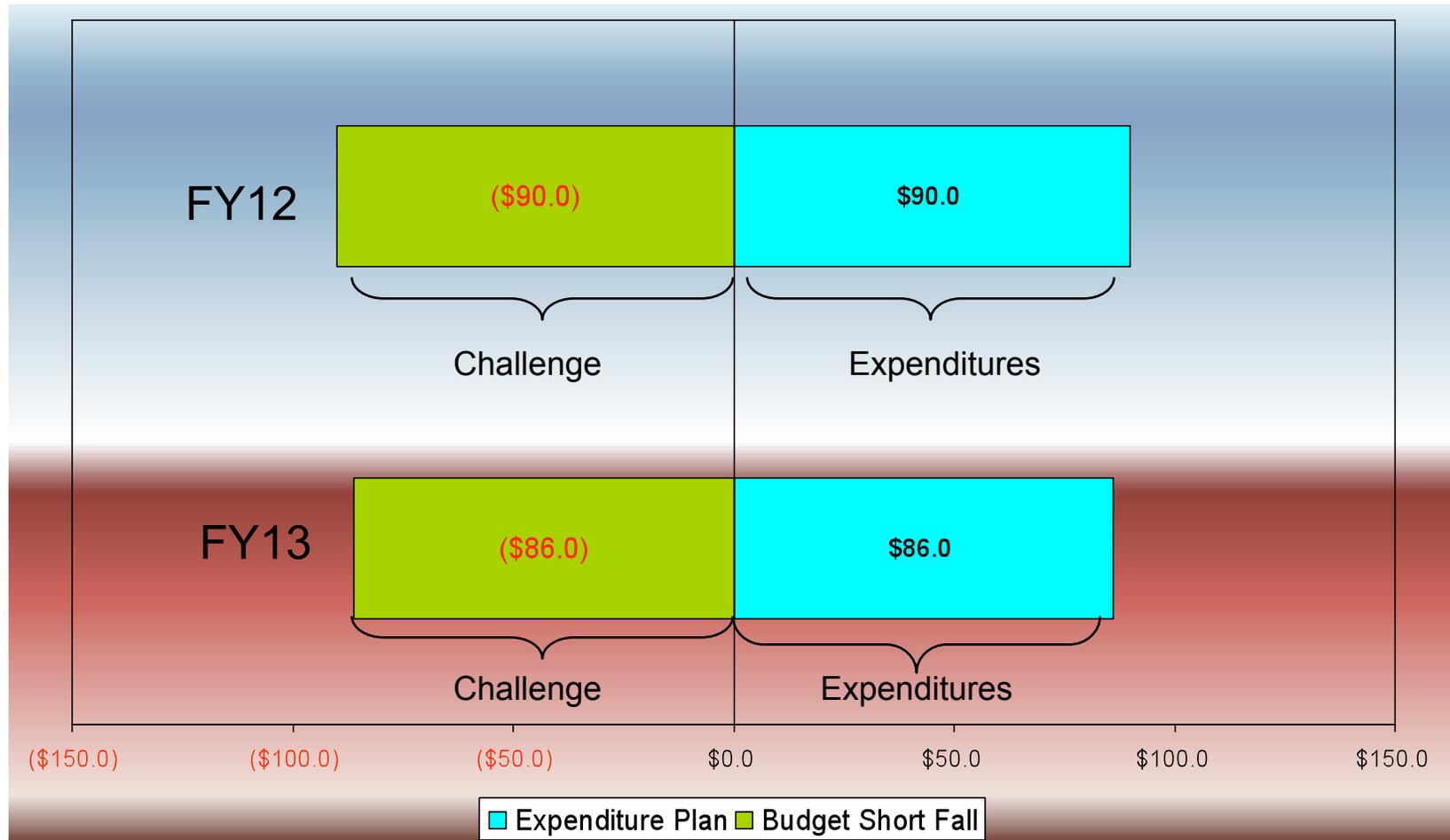


FY2012 and FY2013 Annual Incremental Expenditure Assumptions: \$86M



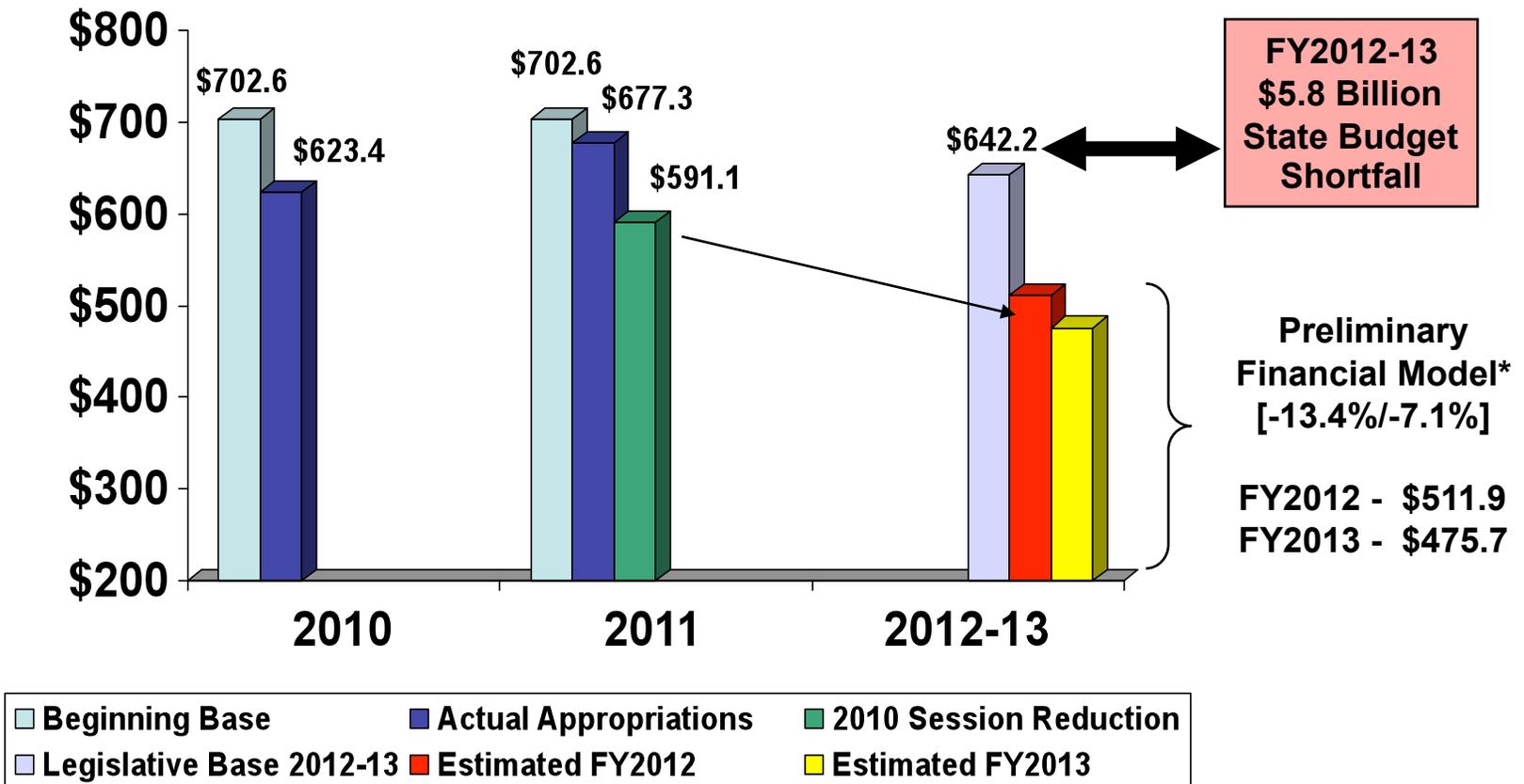
University of Minnesota Future Planning – FY12 & FY13 Scenarios

\$591.1 Base Level Continues Scenario



**University of Minnesota
 2009 & 2010 Legislative Outcome
 FY10 & FY11/2012-13 General Fund Appropriations (est.)**

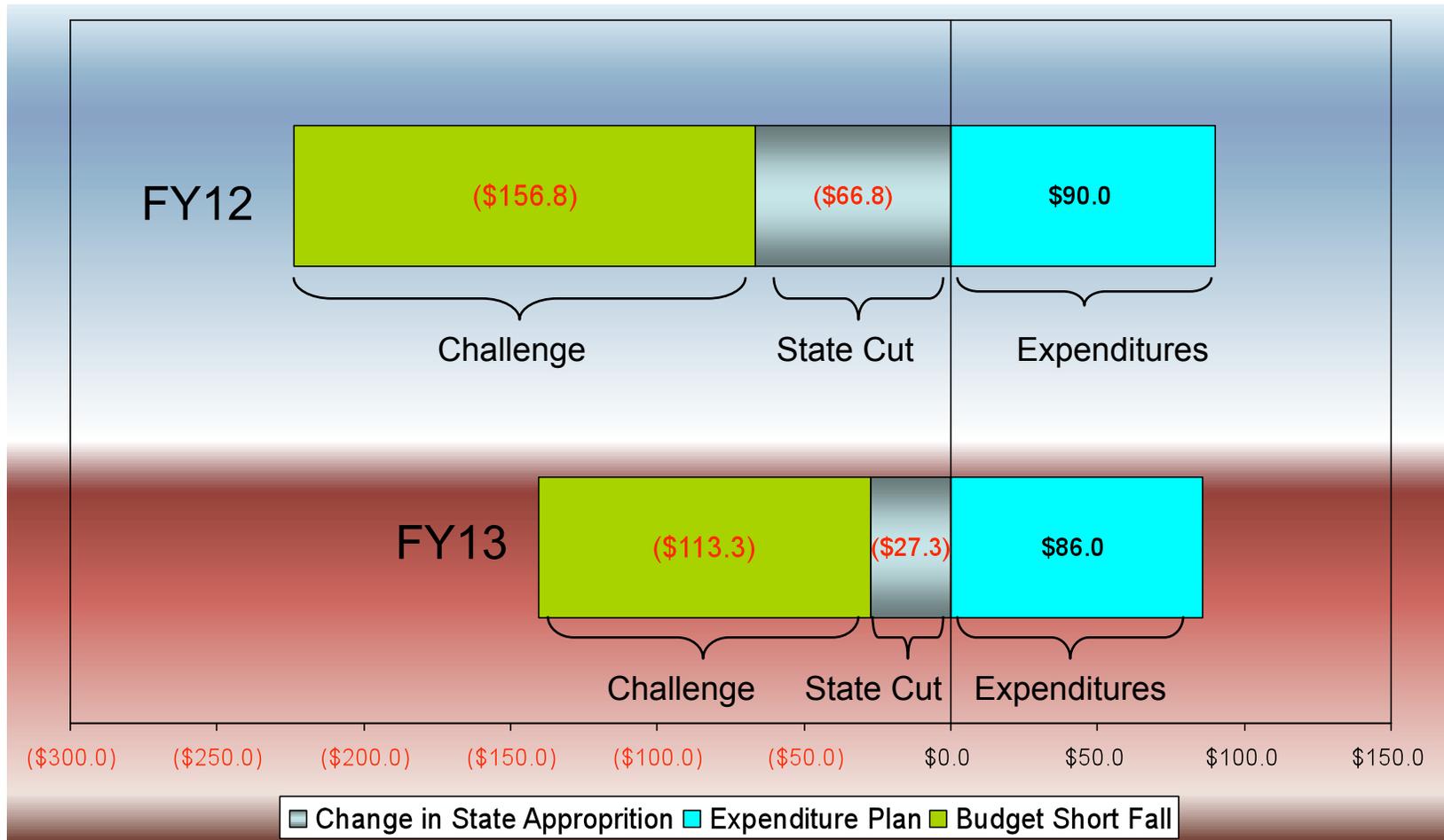
FY2012-13 Repeat of FY2010-11 *Dollars* Cuts



Note: *Cuts funding \$194.7M from FY11 level and contributes \$296.9M to \$5.8 billion shortfall 31

University of Minnesota Future Planning – FY12 & FY13 Scenarios

Same % Reduction Scenario



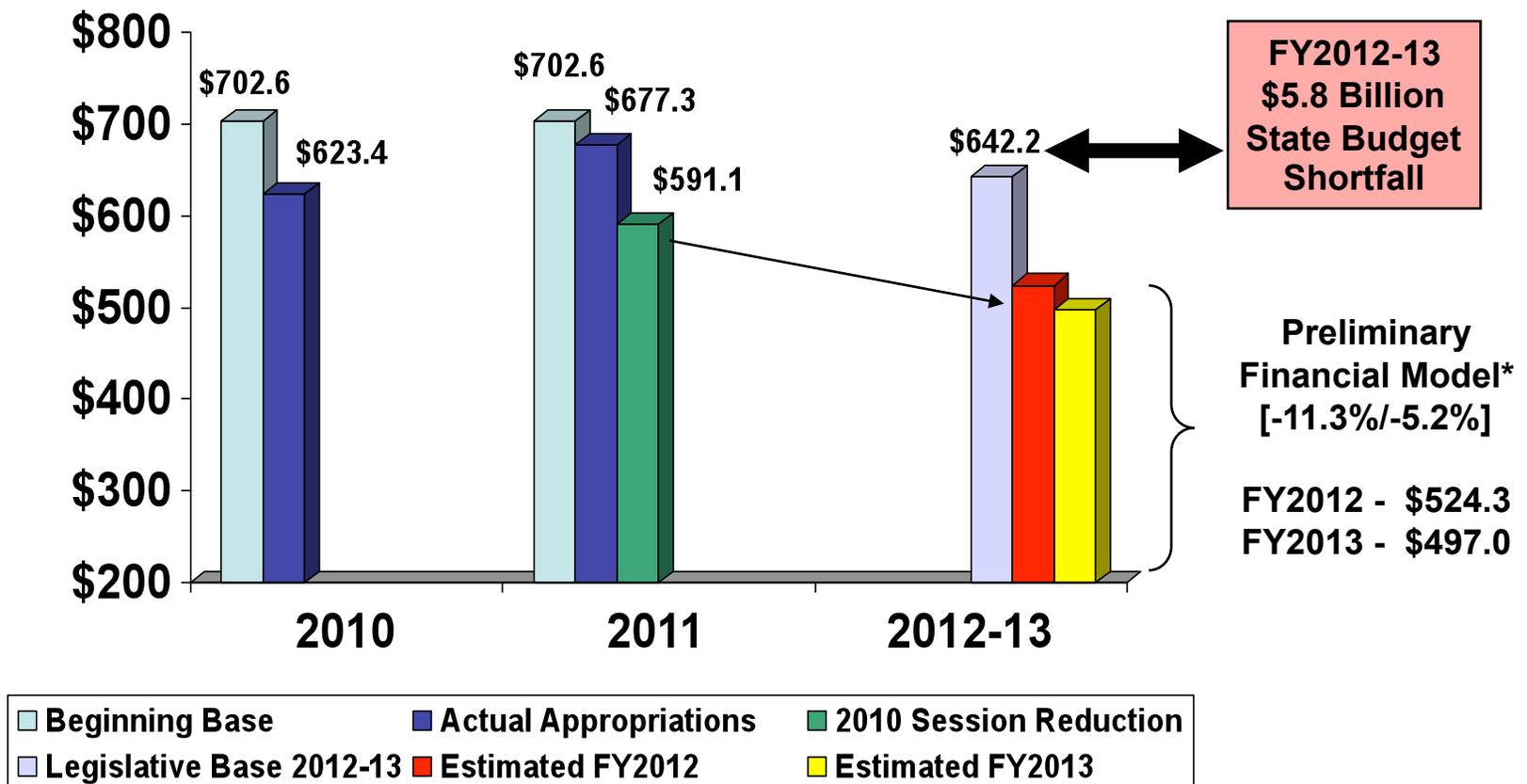
University of Minnesota

Future Planning – FY12 & FY13 Scenarios

- Three Scenarios
 - \$591.1 Base Level Funding
 - Same \$ Reduction as FY2010 & 2011
 - Same % Reduction as FY2010 & 2011
- Expenditure Growth at \$90.0/\$86.0 Million per year
- \$3.9 Million Structural Imbalance in FY12

**University of Minnesota
2009 & 2010 Legislative Outcome
FY10 & FY11/2012-13 General Fund Appropriations (est.)**

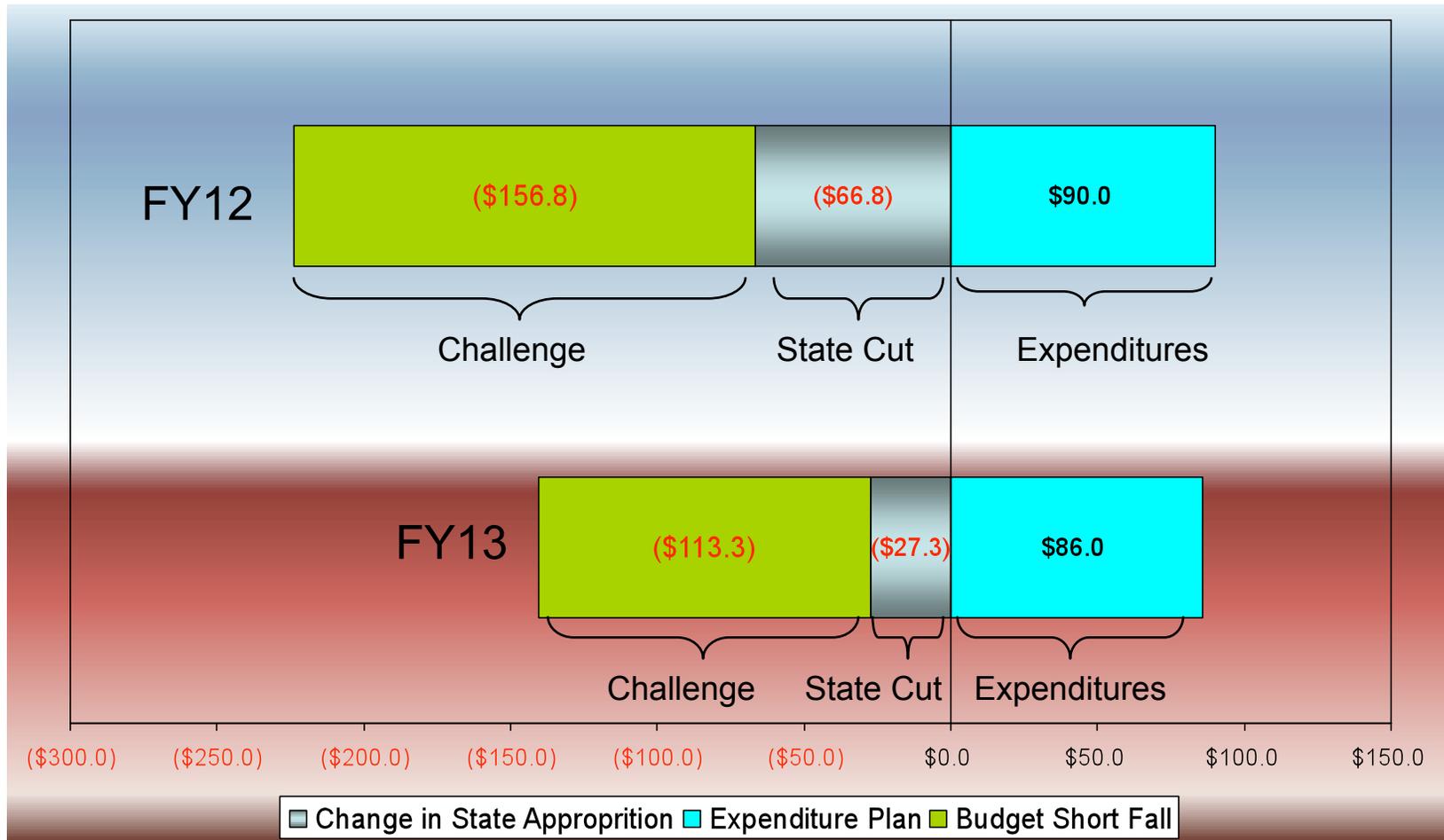
FY2012-13 Repeat of FY2010-11 *Percent* Cuts



Note: *Cuts funding \$160.9M from FY11 level and contributes \$263M to \$5.8 billion shortfall

University of Minnesota Future Planning – FY12 & FY13 Scenarios

Same % Reduction Scenario



University of Minnesota Future Planning – FY12 & FY13 Scenarios

Same \$ Reduction Scenario

