

# President's Recommended FY2010-11 Annual Operating Budget

Presentation to the Board of Regents

June 11, 2010



UNIVERSITY OF MINNESOTA

**Driven to Discover<sup>SM</sup>**

# 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:

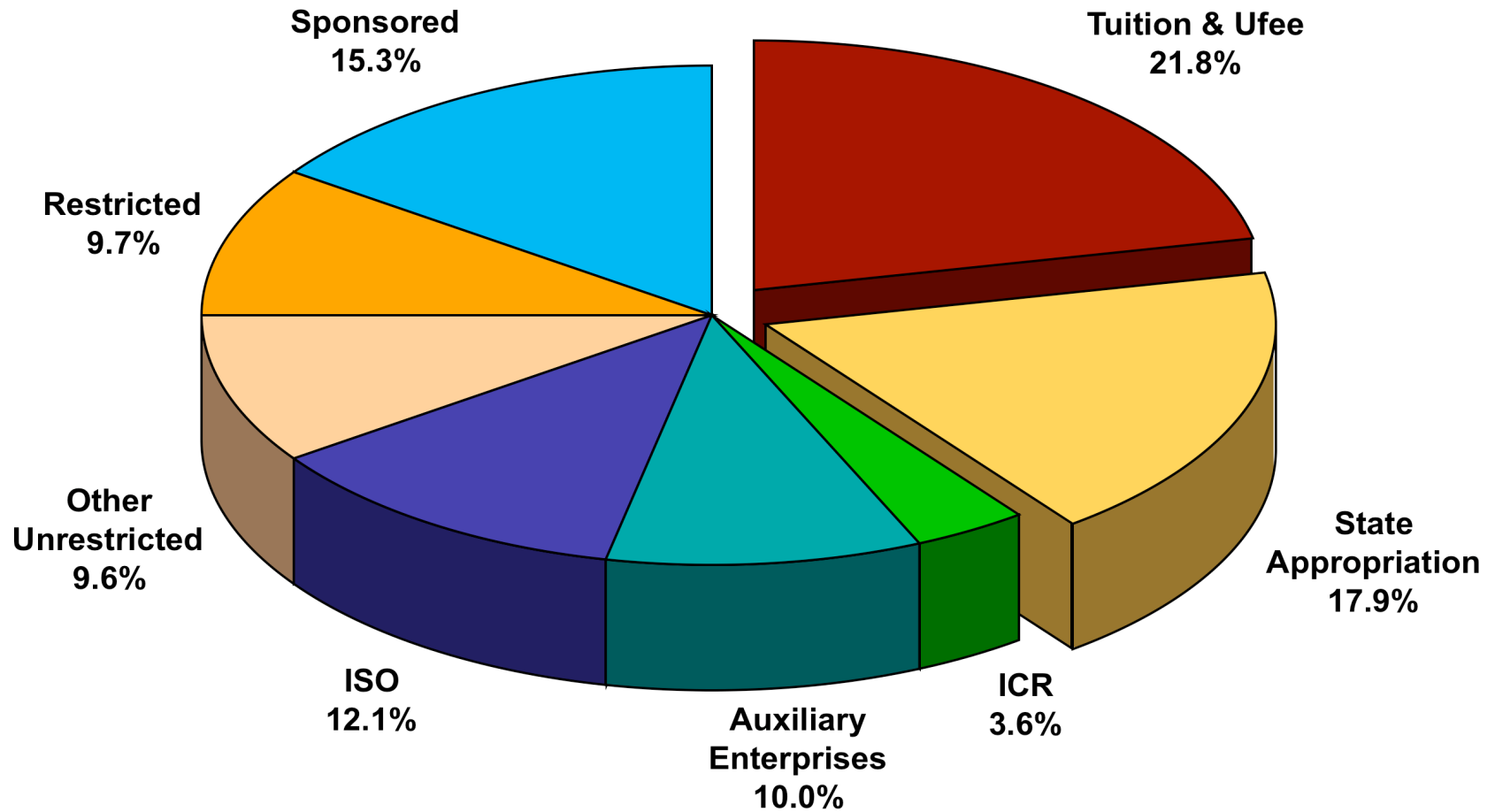
- RIO and restricted hiring
- Disciplined reform, reorganization, and cost reductions, including:
  - Construction management and energy practices
  - College and Extension academic and administrative reorganizations

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

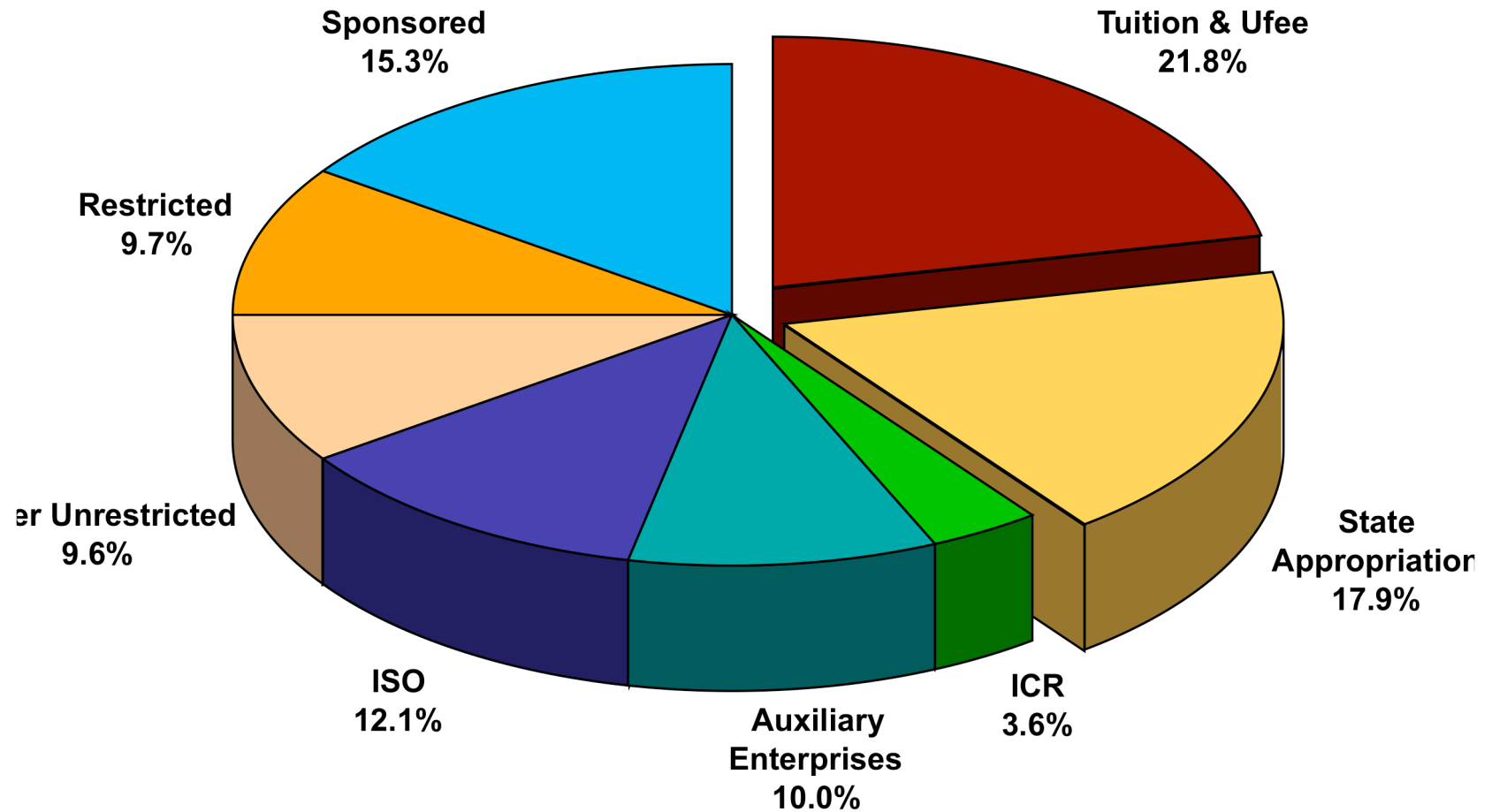
# University of Minnesota Revenue Sources

## All Funds FY2010-11: \$3.4B



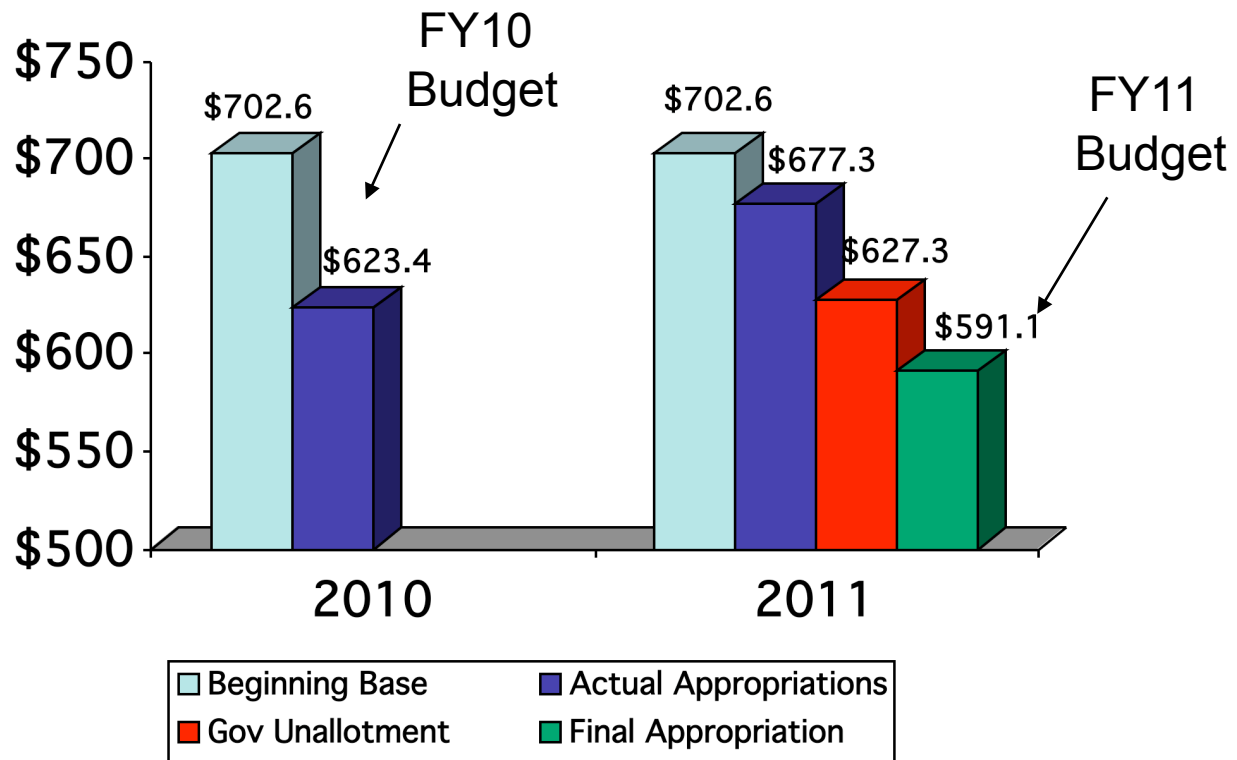
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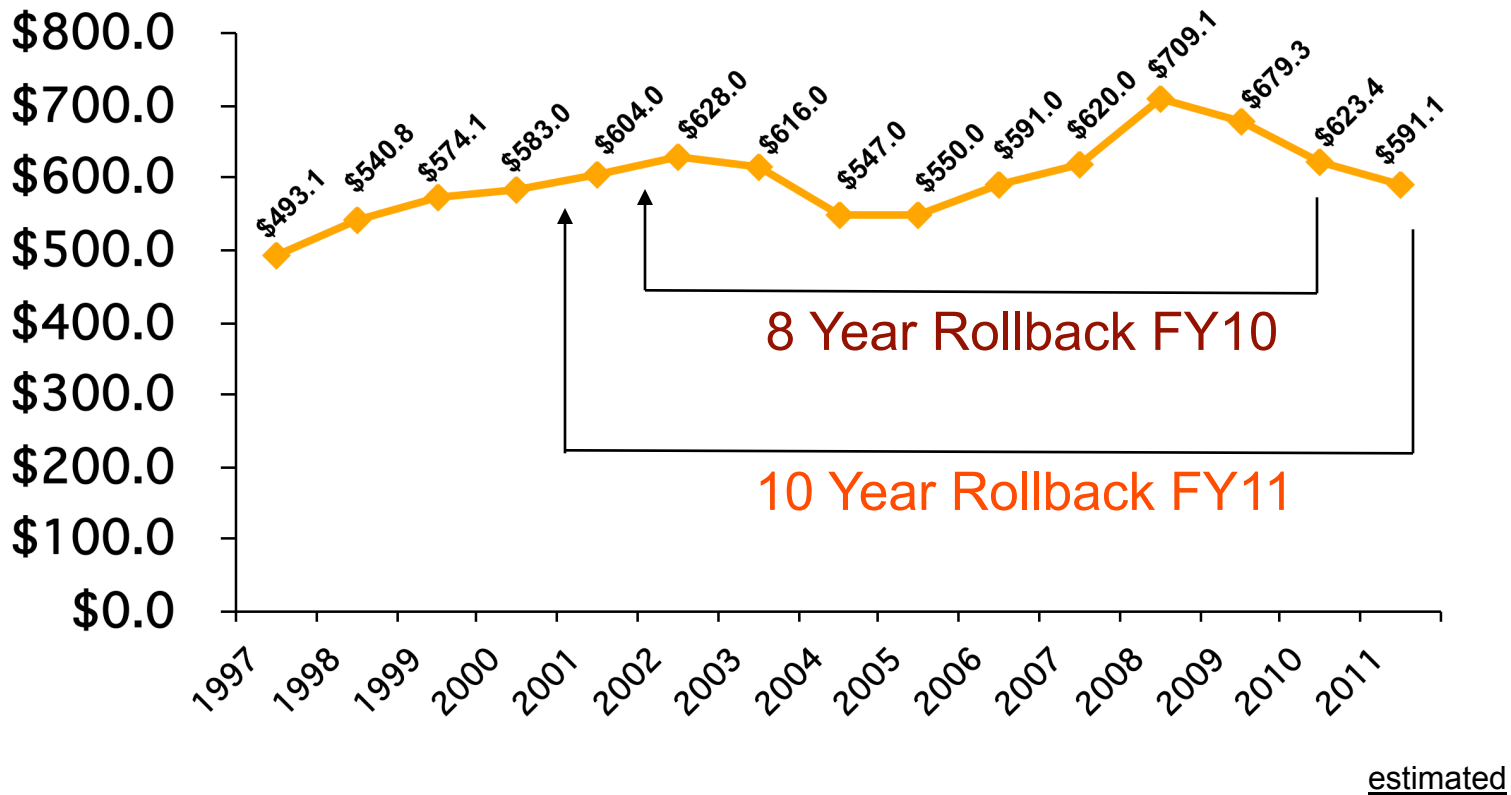
# 2009 and 2010 Legislative Outcome

## FY10 & FY11 General Fund Appropriations\*



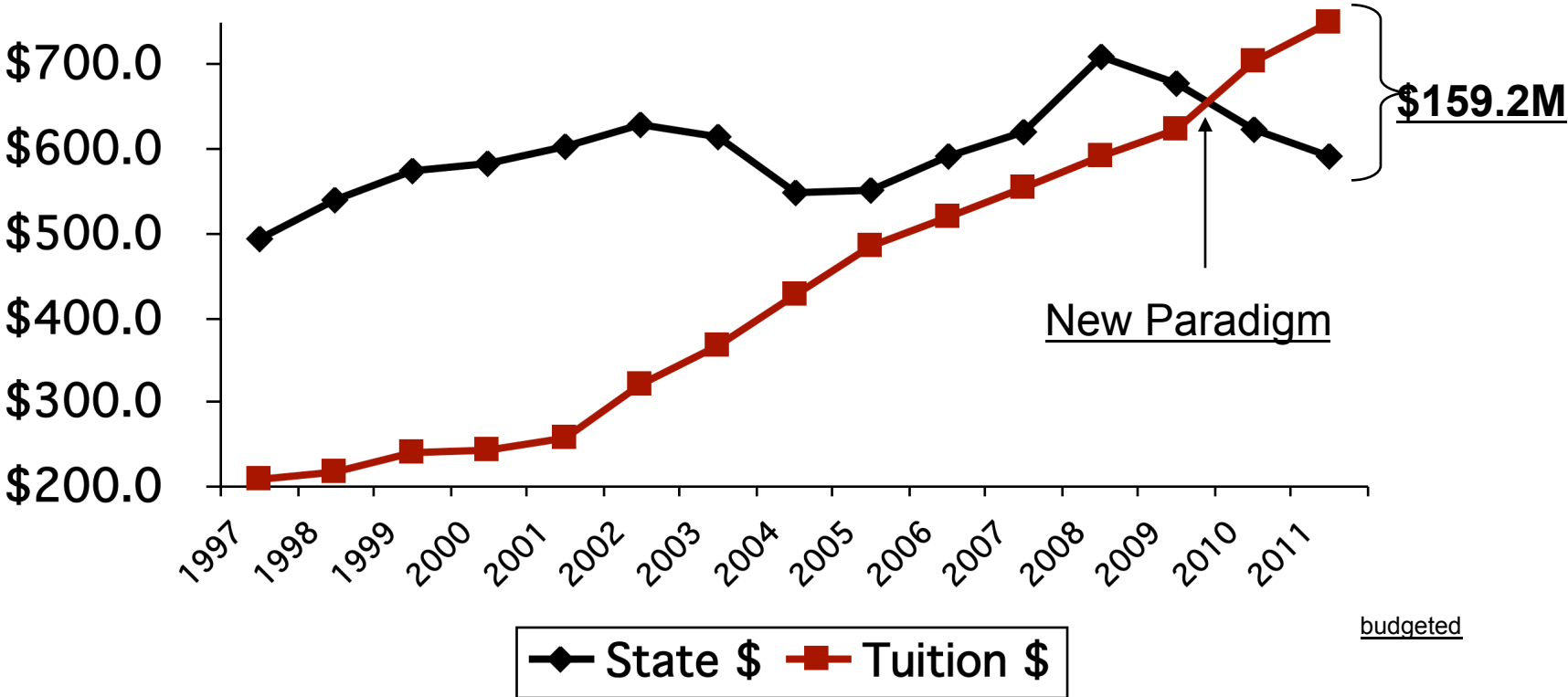
\*Excludes cigarette tax, MnCare and special project appropriations

# State Appropriations Trend, 1997 to 2011

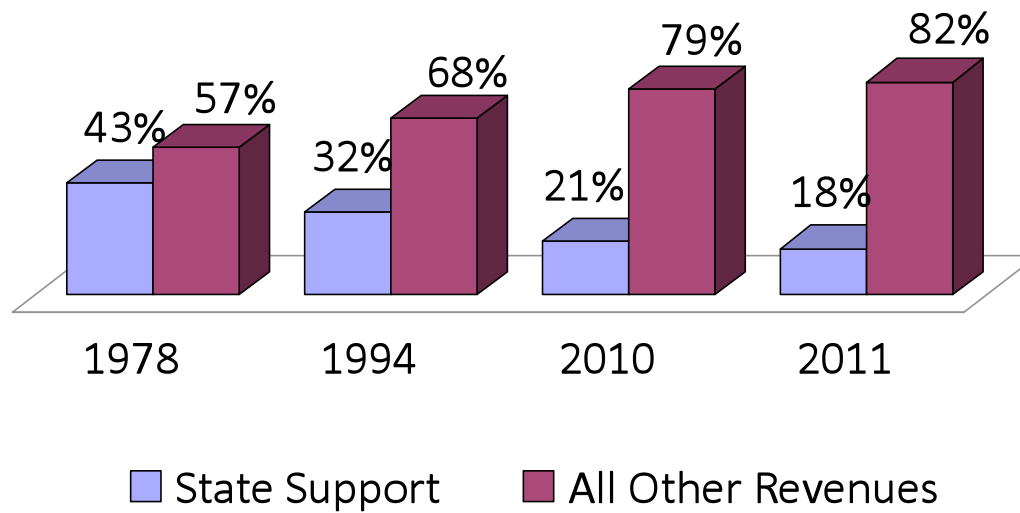




# Trend in Tuition & State Funds, 1997 to 2011



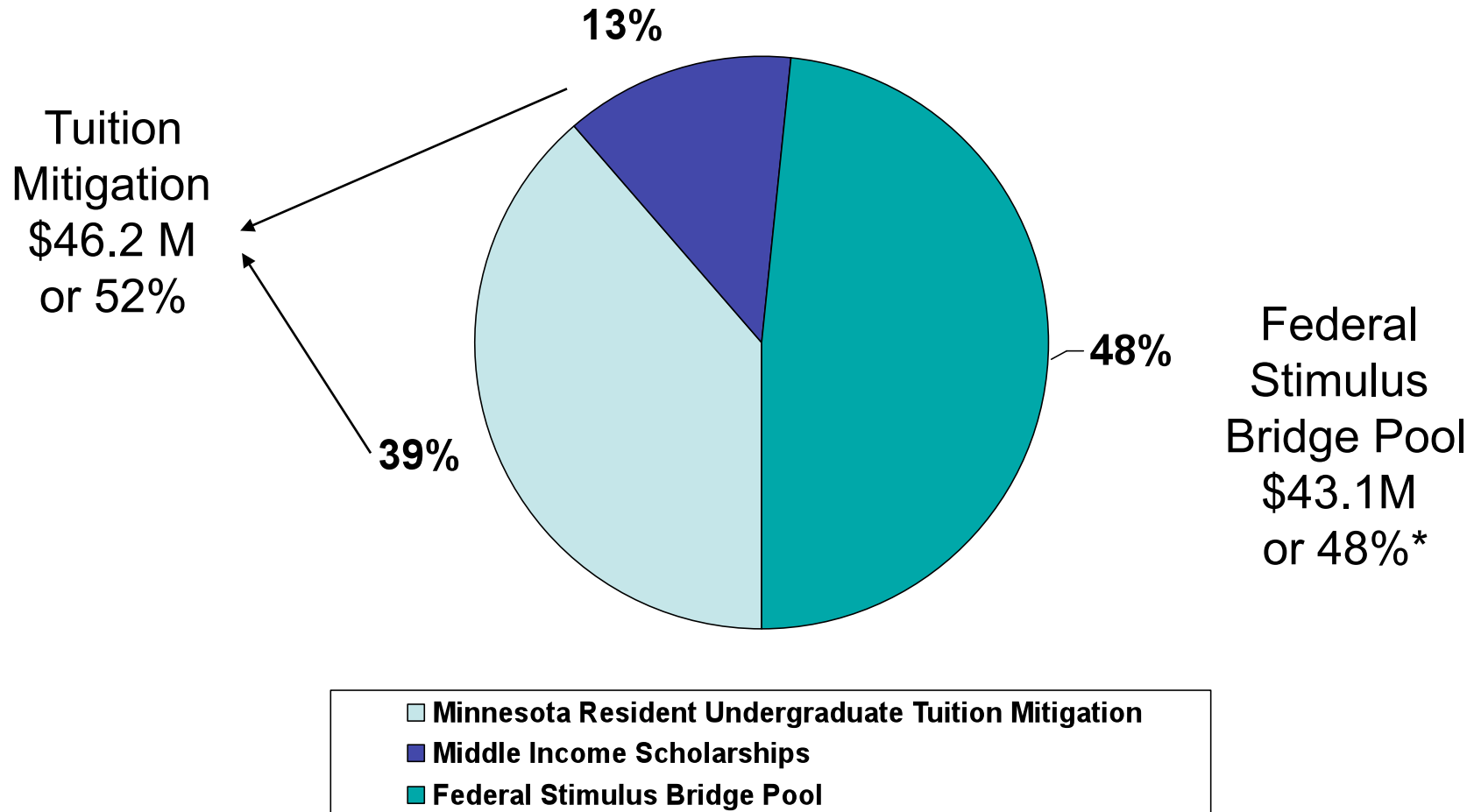
# The New Normal



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



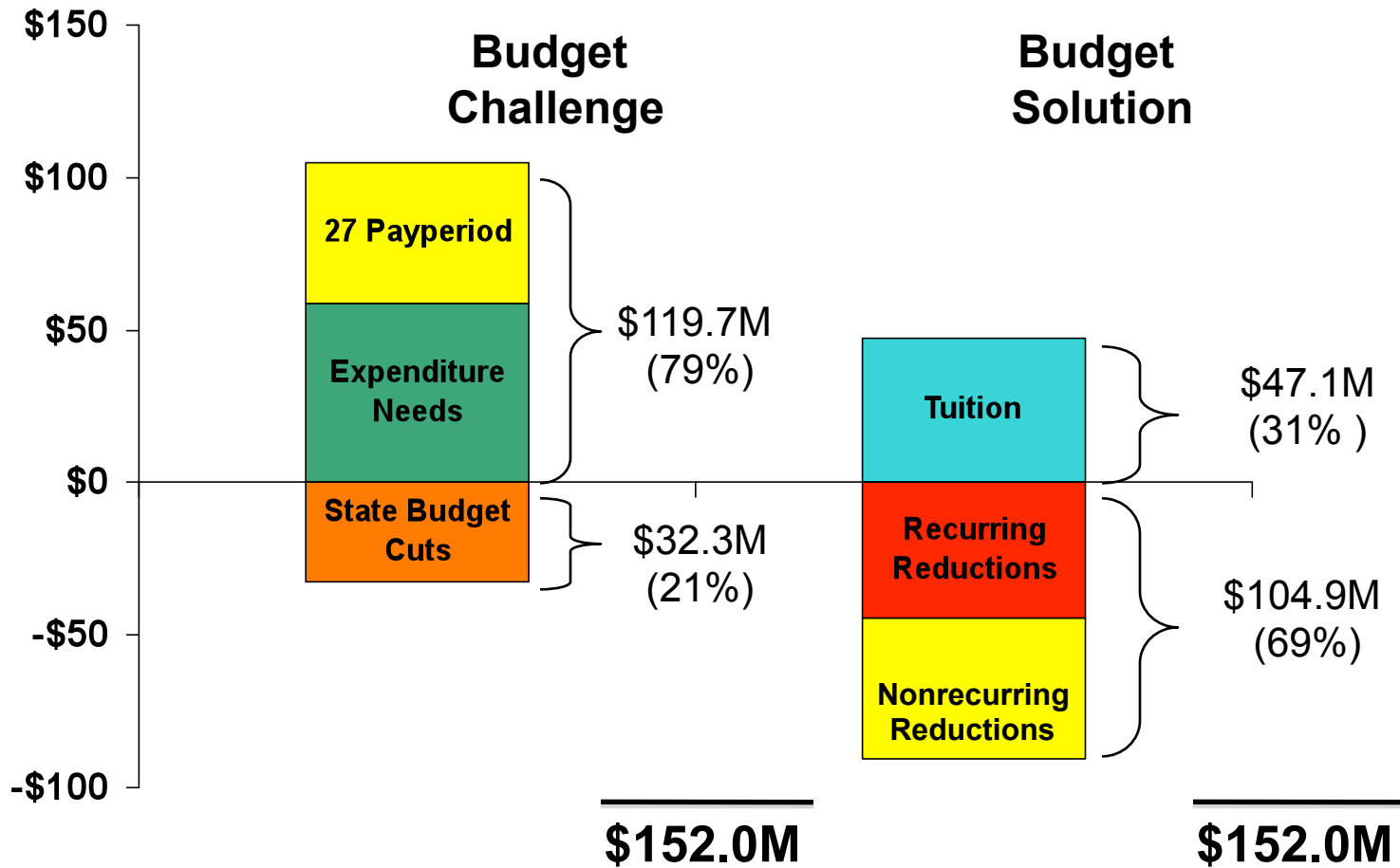
\* Of the \$43.1M, \$19.6M will be applied to financial aid, allowing for the redirection of an equal amount of O&M dollars to support nonrecurring investments.

# FY2010-11 Onetime Investments: \$15.5M

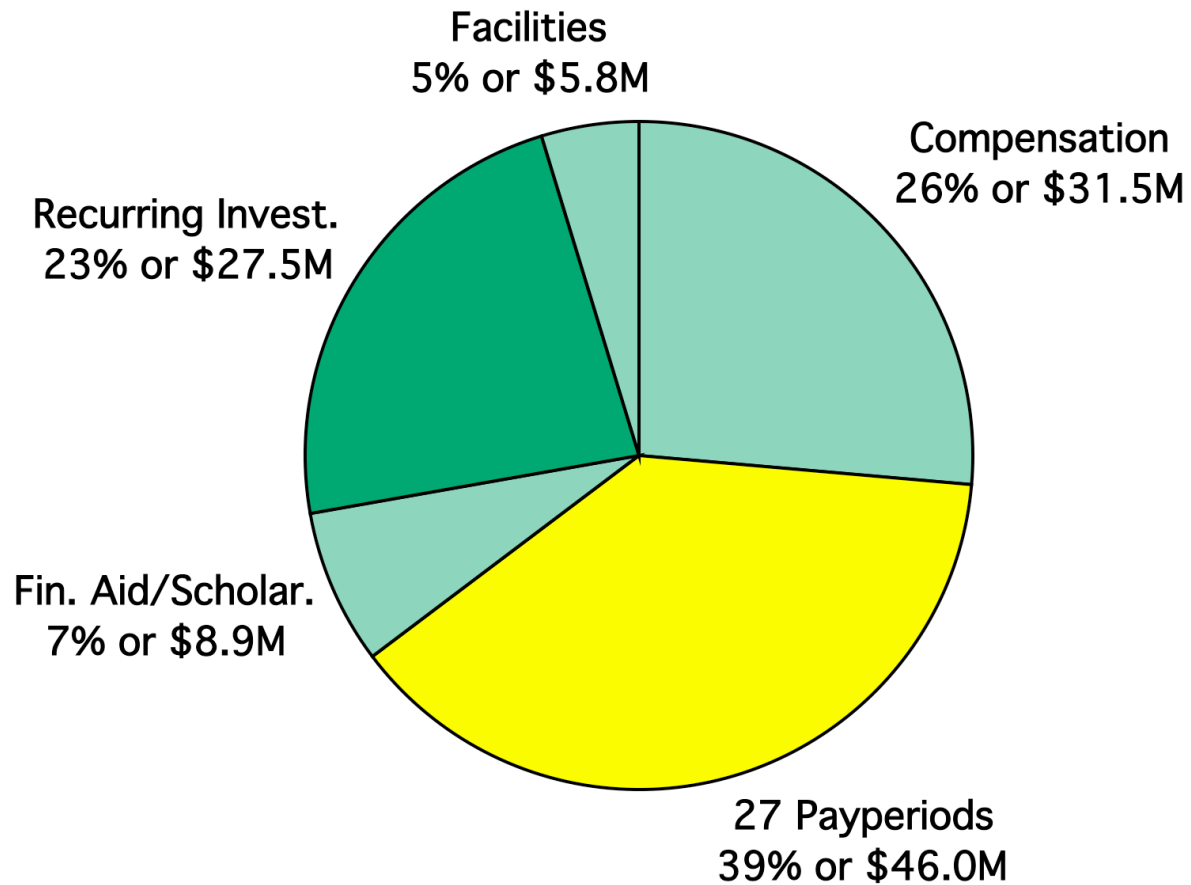
## Examples

- \$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

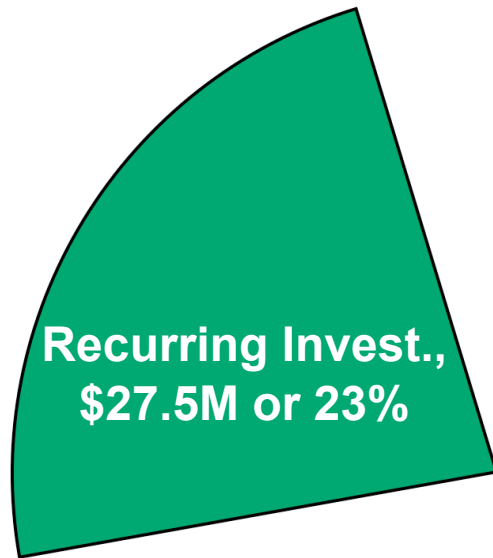


# FY2011 Budget Challenge: University Portion = \$119.7M



# FY2011 Budget: Recurring Investments

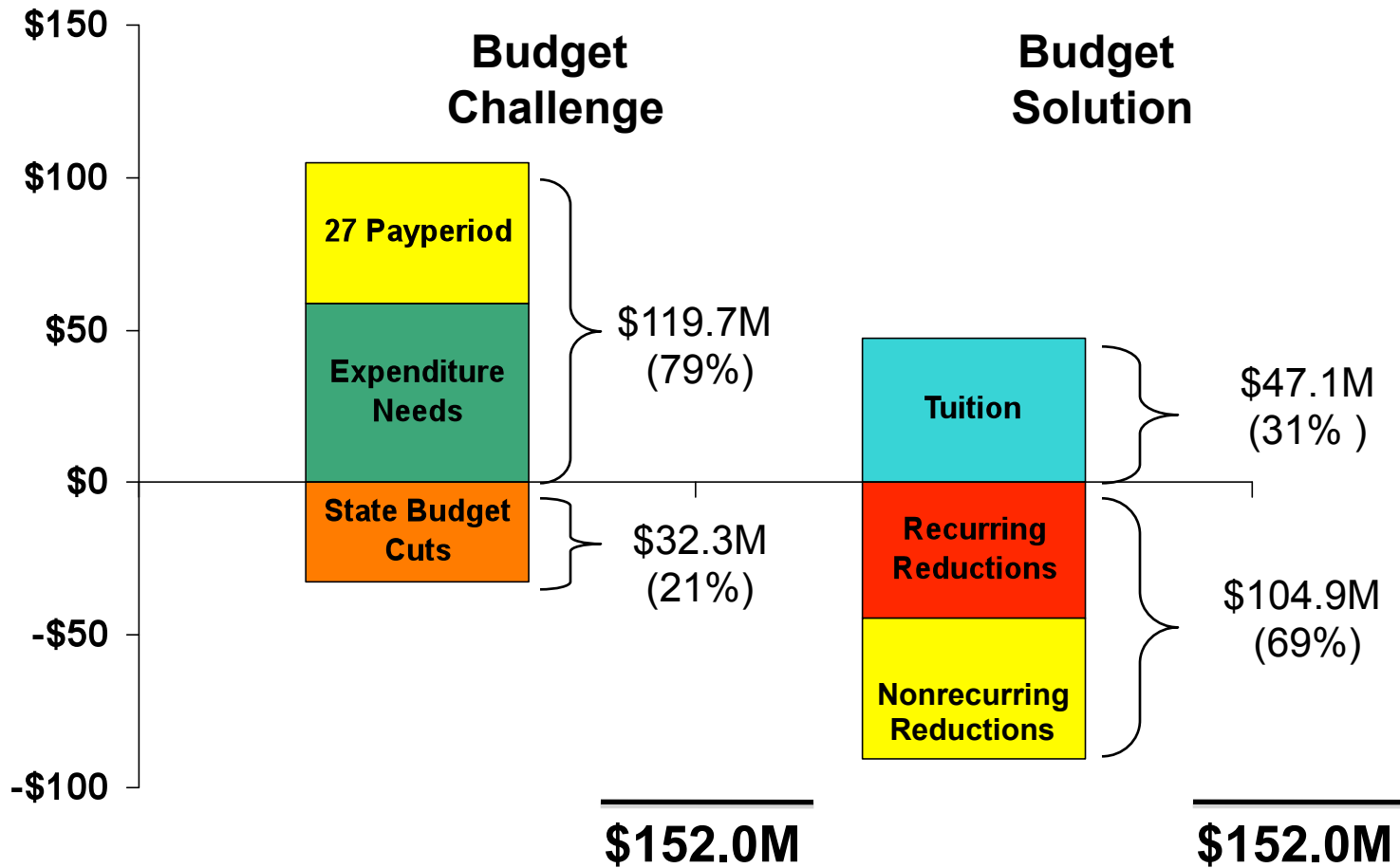
## Examples



Strategic investments in units:

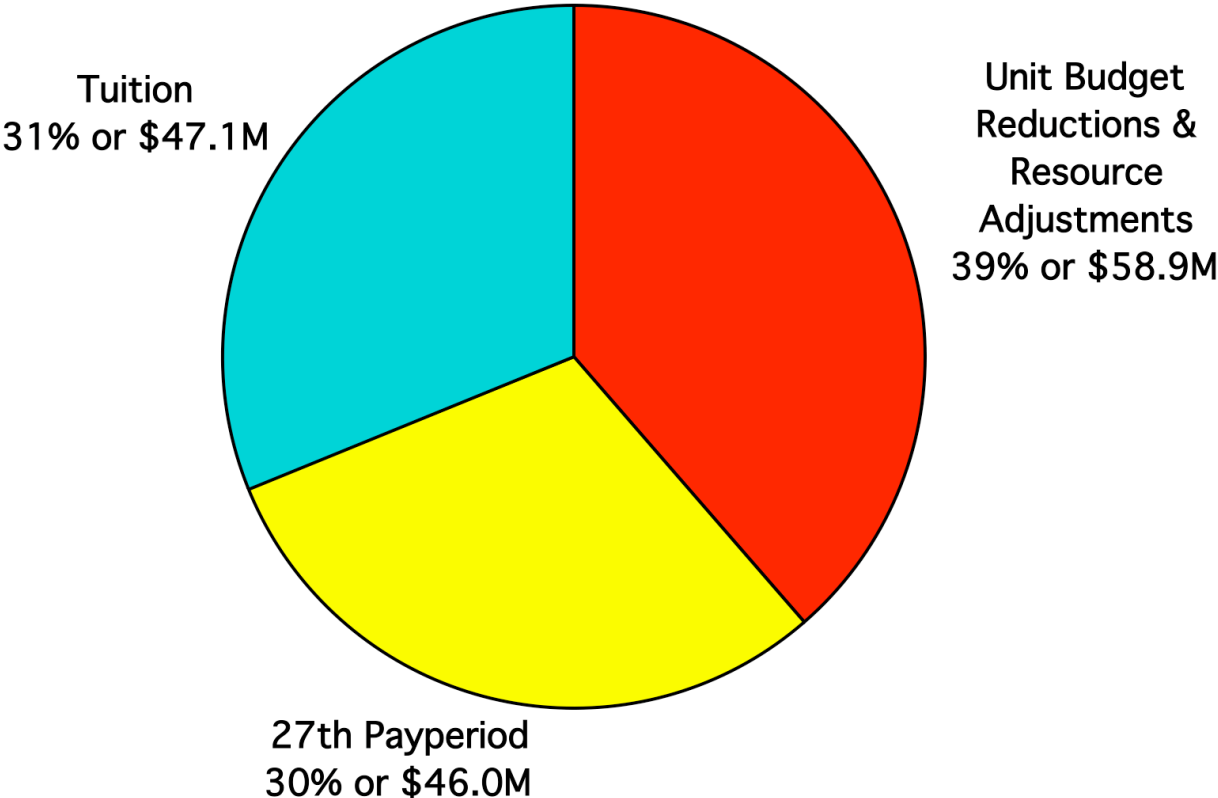
- \$14.6M directed back into collegiate and campus operations
- \$2.6M to meet scholarship matches for increased private support
- \$2.0M to meet new debt service costs for Folwell Hall and the Medical Biosciences Bldg
- \$1.1M to University hardware and software maintenance agreements
- \$372,000 for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

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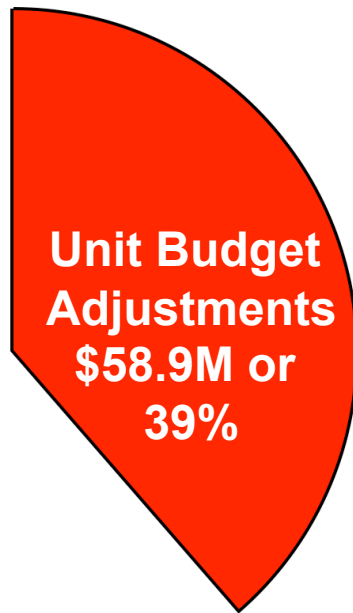




# FY2011 Budget Balancing Strategy: \$152.0M



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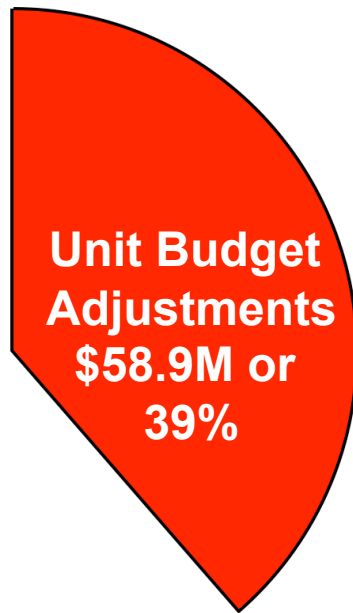


Assignment of specific reductions & resource adjustments accomplished in budget discussions with each unit:

- 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.

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# 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

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

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.

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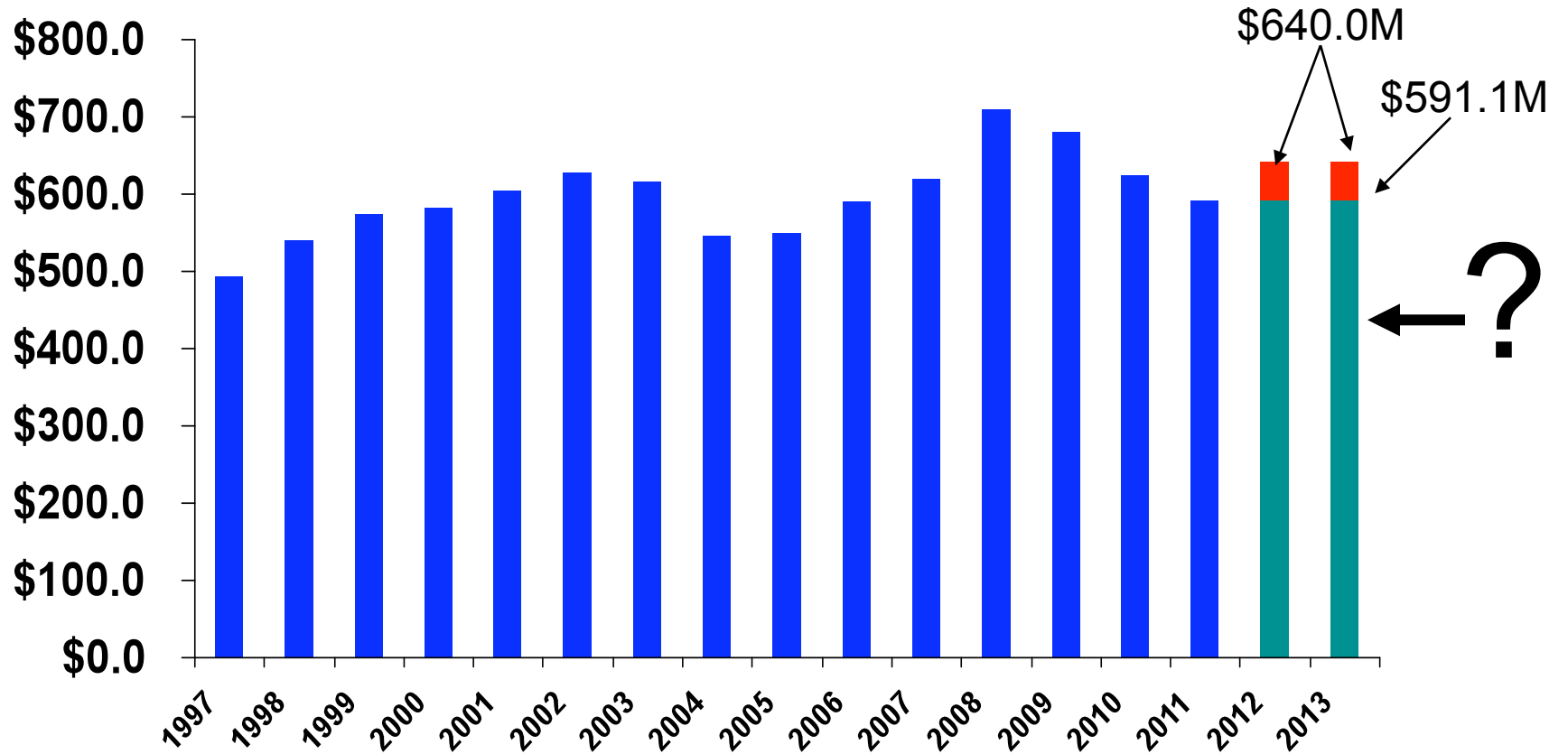


UNIVERSITY OF MINNESOTA

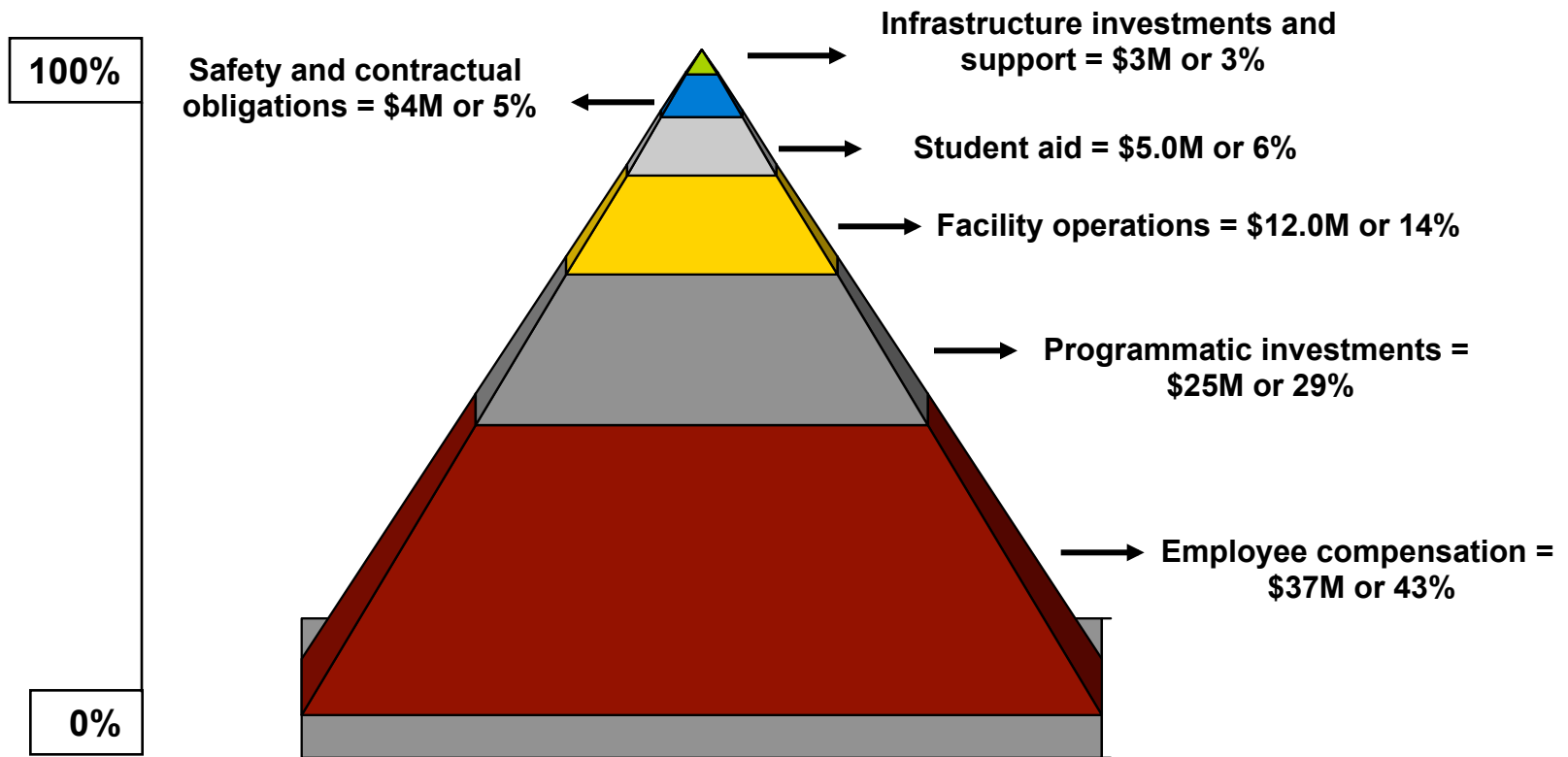
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# BACKUP SLIDES

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

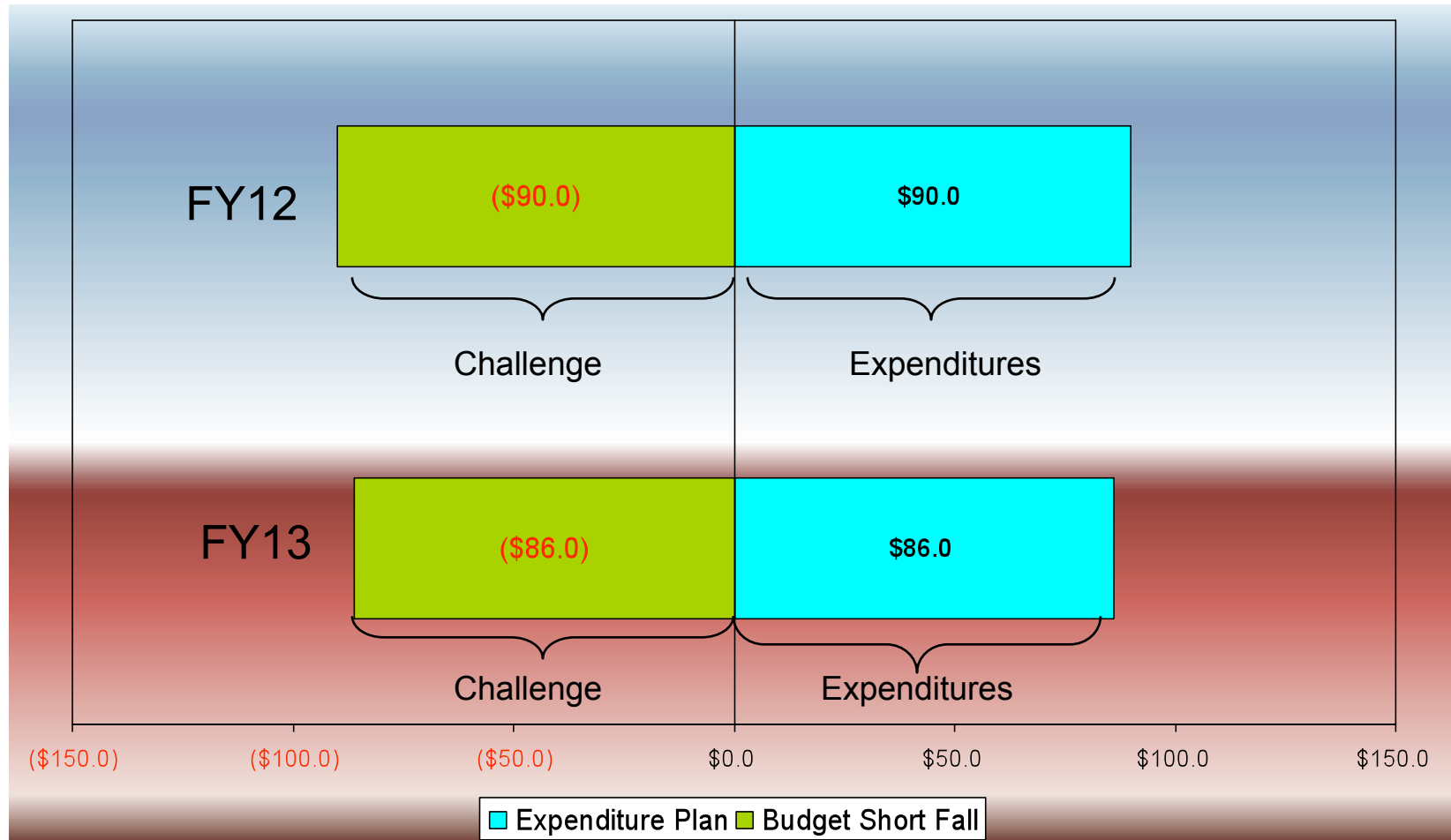


# FY2012 and FY2013 Annual Incremental Expenditure Assumptions: \$86M



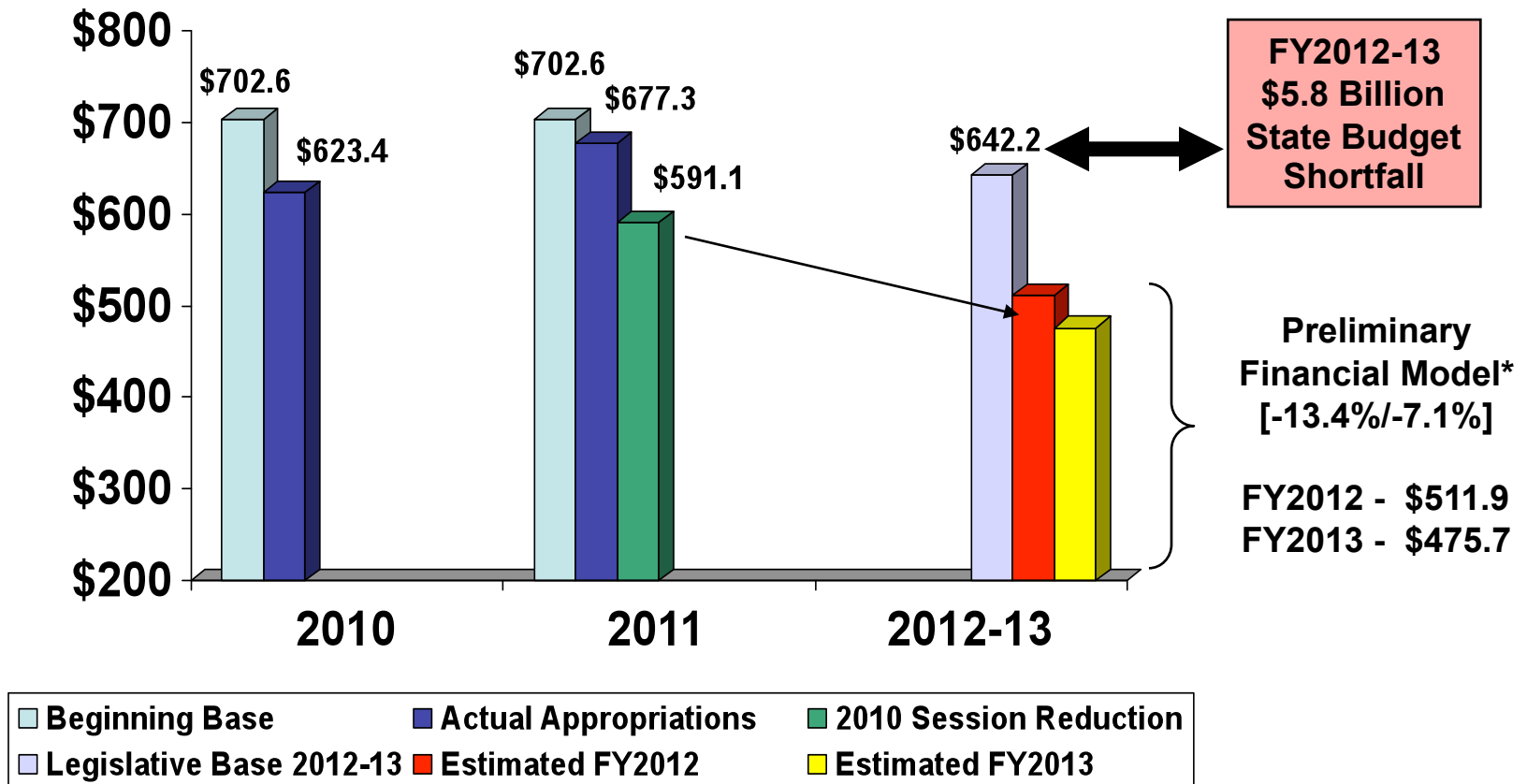
# University of Minnesota Future Planning – FY12 & FY13 Scenarios

## \$591.1 Base Level Continues Scenario



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

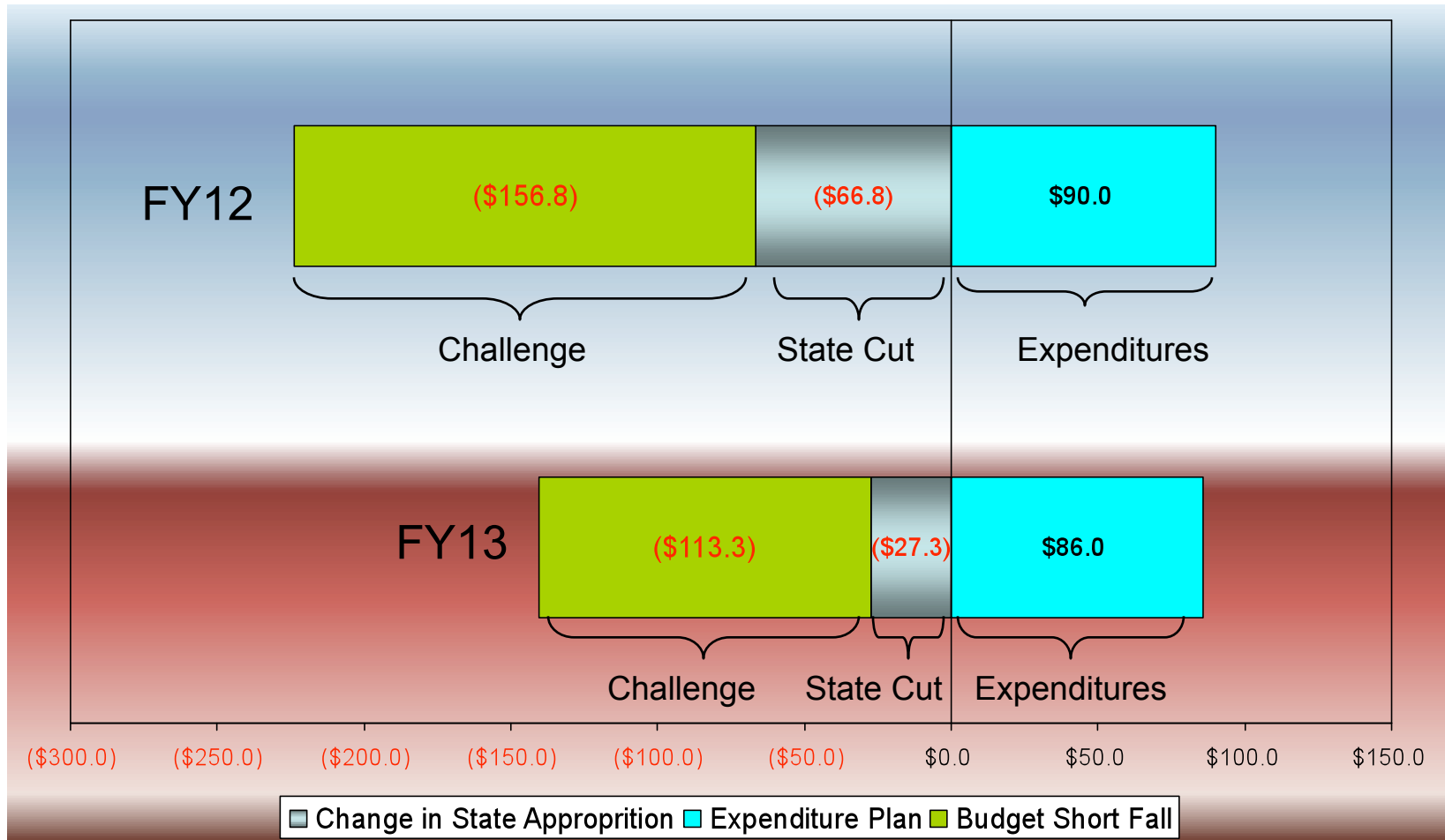
**FY2012-13 Repeat of FY2010-11 *Dollars* Cuts**



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





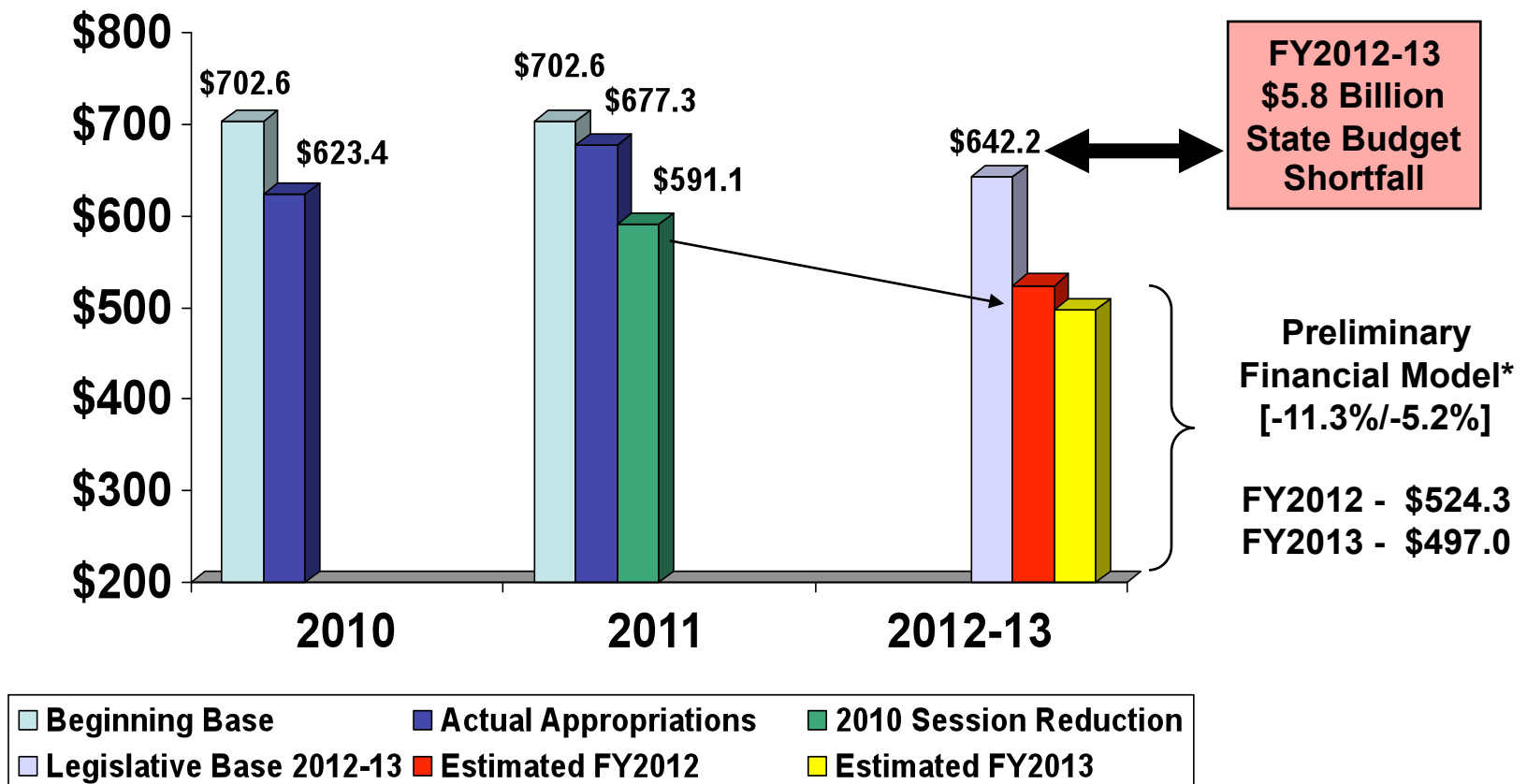
# University of Minnesota

## 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

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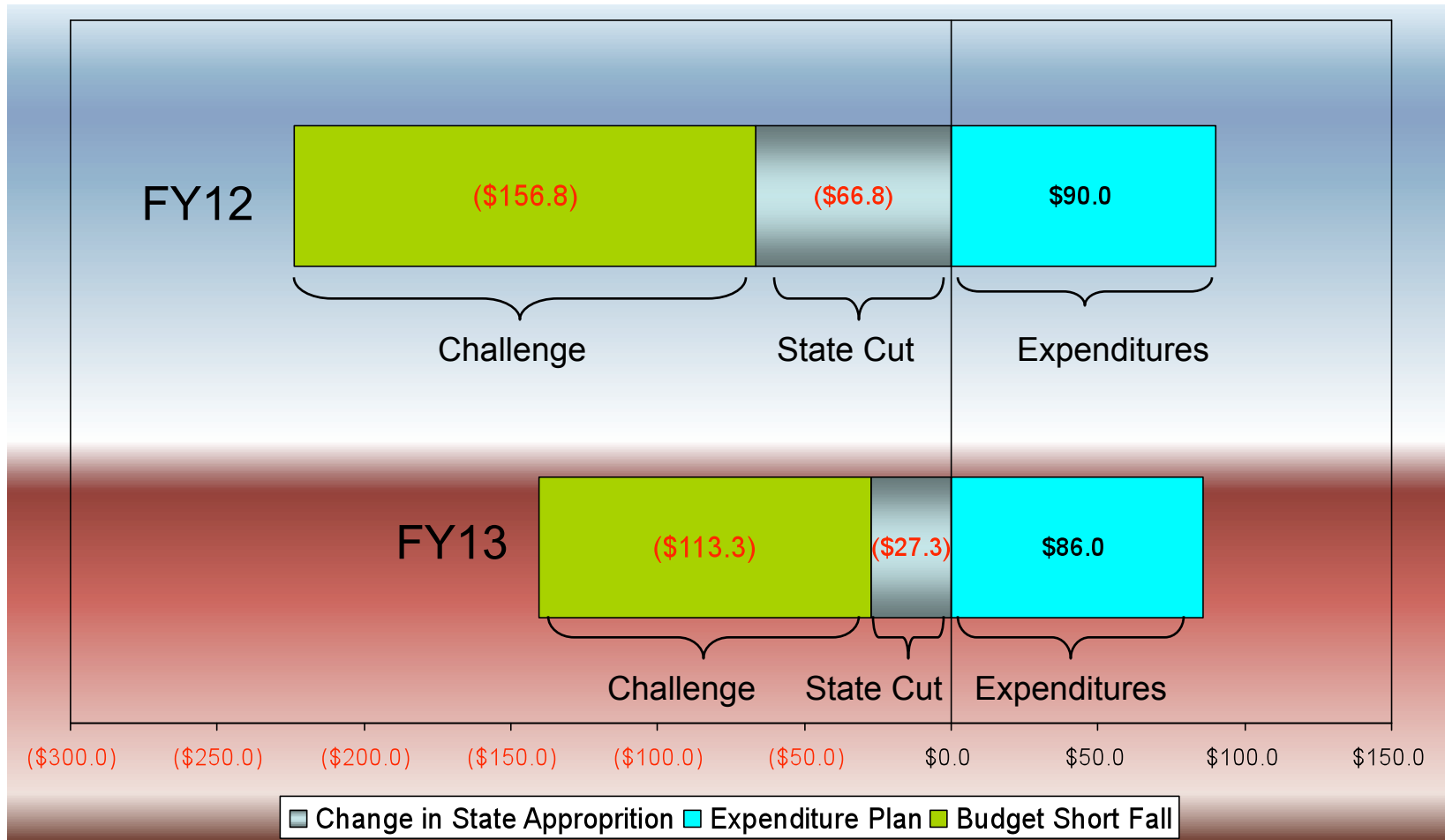
**FY2012-13 Repeat of FY2010-11 *Percent* Cuts**



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

