

# President's Recommended FY2014 Operating Budget

*Presentation to the Board of Regents*

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UNIVERSITY OF MINNESOTA

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

*You measure the size of the  
accomplishment by the  
obstacles you had to overcome  
to reach your goals.*

- Booker T. Washington



# Budget Goals

- Access and Excellence:  
*Affordable, world class academics*
- Research and Innovation:  
*Tackling and solving statewide challenges*
- Operational Excellence:  
*Administrative cost reductions*



# 2014-2015 Biennial Appropriations

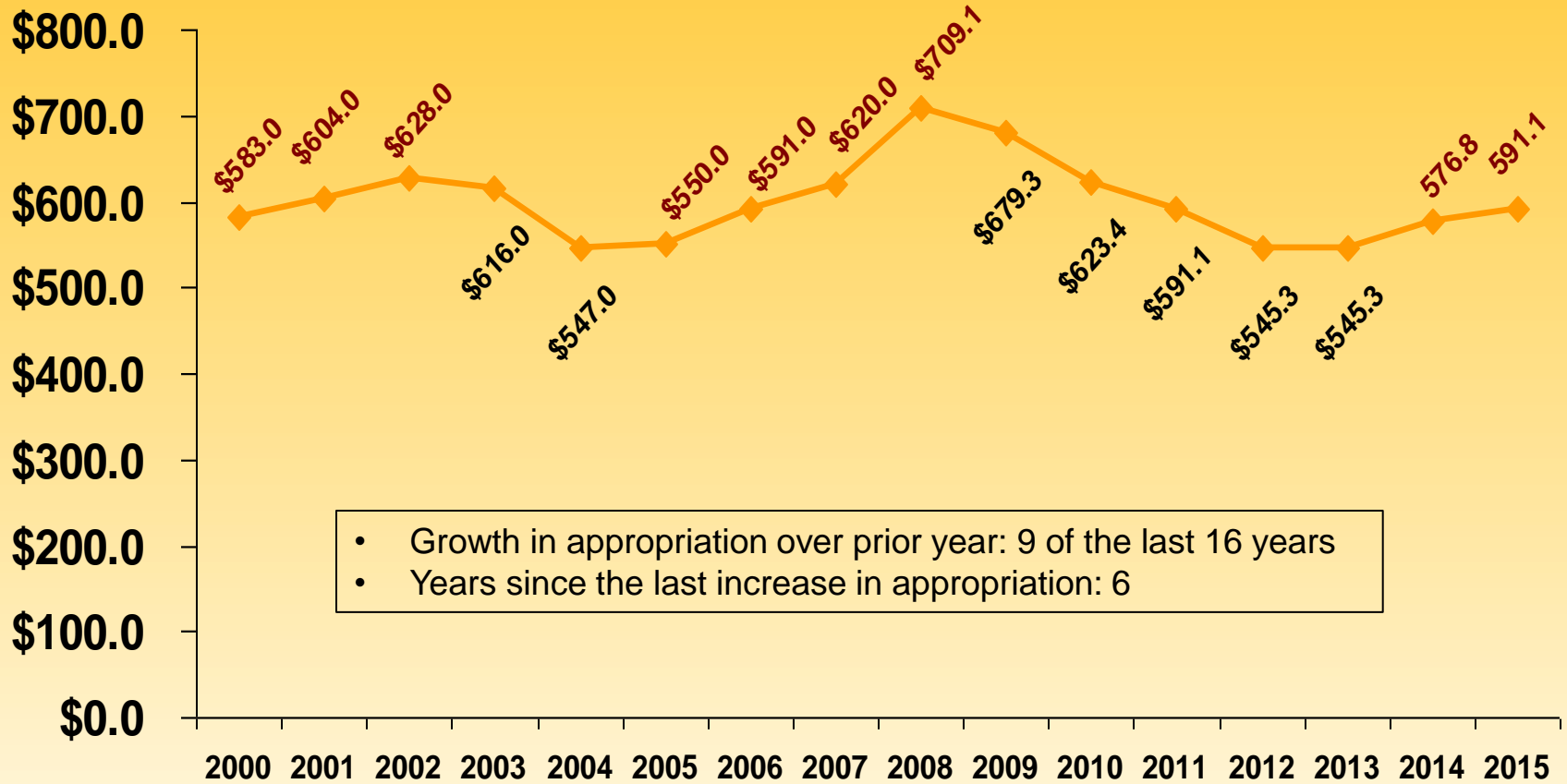
\$ in thousands

	<b>FY2014</b>	<b>FY2015</b>	<b>Biennium</b>
Base Level Appropriation	\$545,344	\$545,344	\$1,090,688
S. F. 1236 State Funding Level	\$576,799	\$591,099	\$1,167,898
Change from Base	\$31,455	\$45,755	\$77,210
Change from Prior Year	\$31,455	\$14,300	
% Increase from Prior Year	5.8%	2.5%	
% Increase from Base			7.1%



# State Appropriations Trend: 2000-2015\*

## Operations & Maintenance/State Specials



\*Excludes Cigarette tax, MnCare and special project appropriations



# Key Priorities Funded in the Biennial Budget

- New state investment to stabilize tuition for Minnesota resident undergraduates
- Targeted new state investment in University research and innovation through MnDRIVE initiative



# FY14 Budget: Access & Affordability

- No increase in tuition for resident undergraduates for two years
  - Increase in state and federal need-based aid:
    - 11,000 PELL eligible students will receive an average increase of \$718 in their state grant award (varies by income, full or part-time status, etc.)
    - Plus a \$95 increase in the federal PELL award
- No increase in campus/collegiate fees for the first time in decades
- Hold resident undergraduate tuition & required fees to lowest increases in recent history:
  - Crookston: -0.1%
  - Duluth: +0.2%
  - Morris: +0.3%
  - Twin Cities: +0.7%



# FY14 Budget: Access & Affordability

- Increase the differential between resident and non-resident undergraduate students
- Keep graduate and professional tuition aligned with market conditions and peer institutions





# FY14 Budget–Research and Innovation: Tackling and Solving Statewide Challenges

MN Discovery, Research and Innovation Economy–MnDRIVE

## Purpose

Discover new knowledge through scientific research to:

- advance Minnesota’s economy
- seize opportunities to leverage Minnesota’s strengths and competitive advantages
- improve Minnesotans’ health and quality of life
- advance the capacity and competitiveness of Minnesota industries
- position our state as a national leader in key industries



# FY14 Budget–Research and Innovation: Tackling and Solving Statewide Challenges

MN Discovery, Research and Innovation Economy–MnDRIVE

FY14 appropriation includes funding for University research in four areas:

1. Robotics, Sensors and Advanced Manufacturing
2. Securing the Global Food Supply
3. Advancing Industry, Conserving Our Environment
4. Advancing Discoveries and Treatments for Brain Conditions



**\$17.8 million in new recurring state appropriation**

Initial projections – more than 50 new faculty positions, more than 70 graduate student and fellowship positions, laboratory personnel, specialized supplies/equipment



# FY14 Budget: Exceptional Academic Priorities

## New Investment—\$26.1 million

### World-class faculty hires in targeted areas

University of Minnesota-Crookston, College of Education & Human Development, College of Veterinary Medicine, Carlson School of Management, College of Pharmacy

### Classroom & lab upgrades

Classrooms across Twin Cities Campus, lab & teaching space in College of Veterinary Medicine, fabrication facility in College of Design

### Targeted instructional & student services support

College of Liberal Arts, Law School, University of Minnesota-Duluth

### Infrastructure needs

Clinical Trials Management System, distance delivery central services, Library collections



# FY14 Budget: Delivering on Priorities

- Investing in exceptional academic priorities
- Providing a competitive compensation plan to retain and recruit world class faculty/staff through a budgeted 2.5% increase
- Addressing increased costs of operations



# FY14 Budget: Operational Excellence

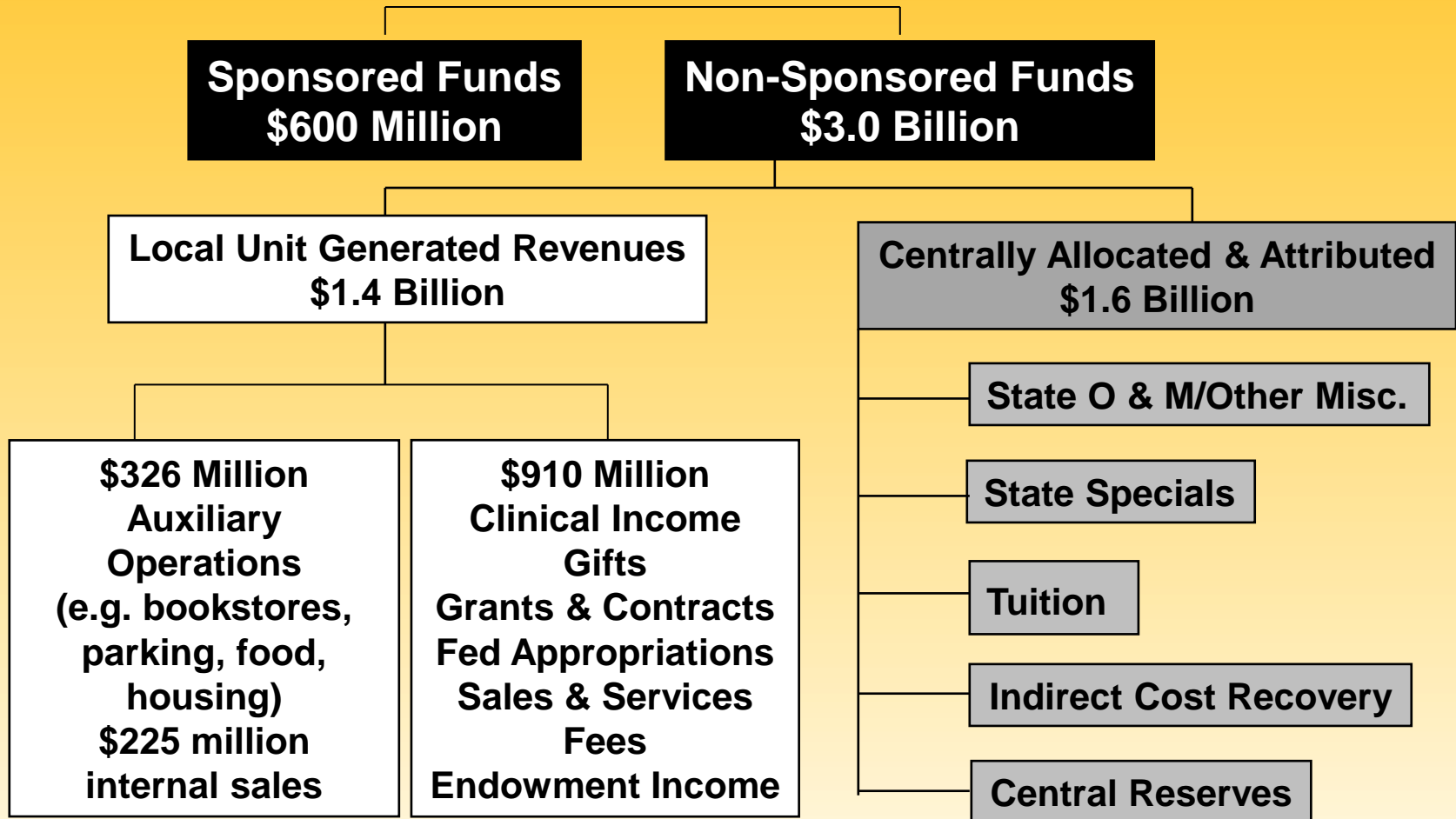
## *Administrative Cost Reductions*

- Biennial budget framework included reallocation of existing resources by \$14M in each of the next two years
- FY14 budget exceeds that goal and includes \$19.7M in reallocations/resource adjustments
- Legislature established metric to reduce administrative expenses by \$15M for FY14
  - Operating budget includes \$10M in targeted administrative cost reductions toward \$15M goal
- Additional \$5M will be identified during FY14

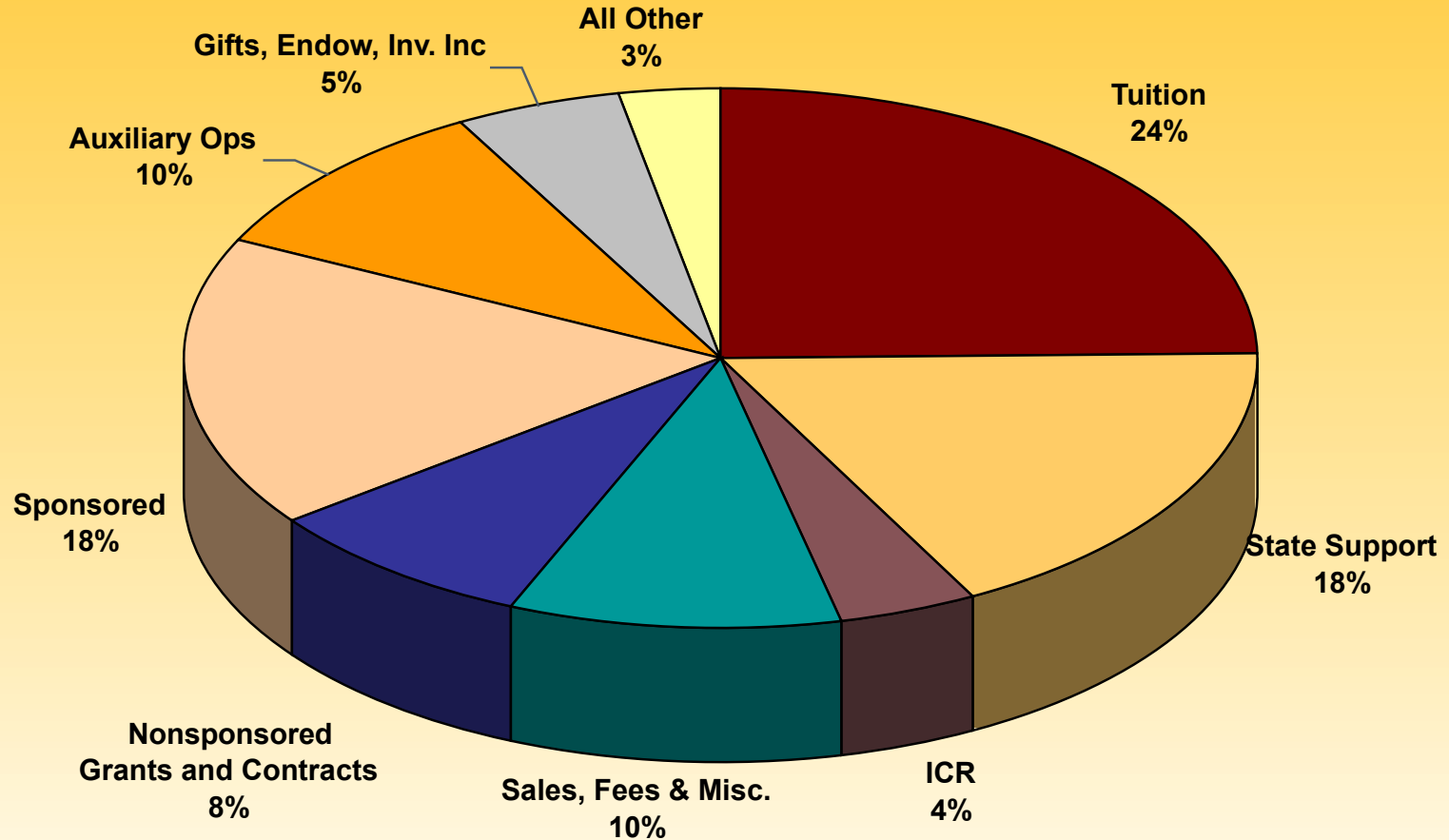


# All-Funds Budget Structure–FY2014

## \$3.6 Billion

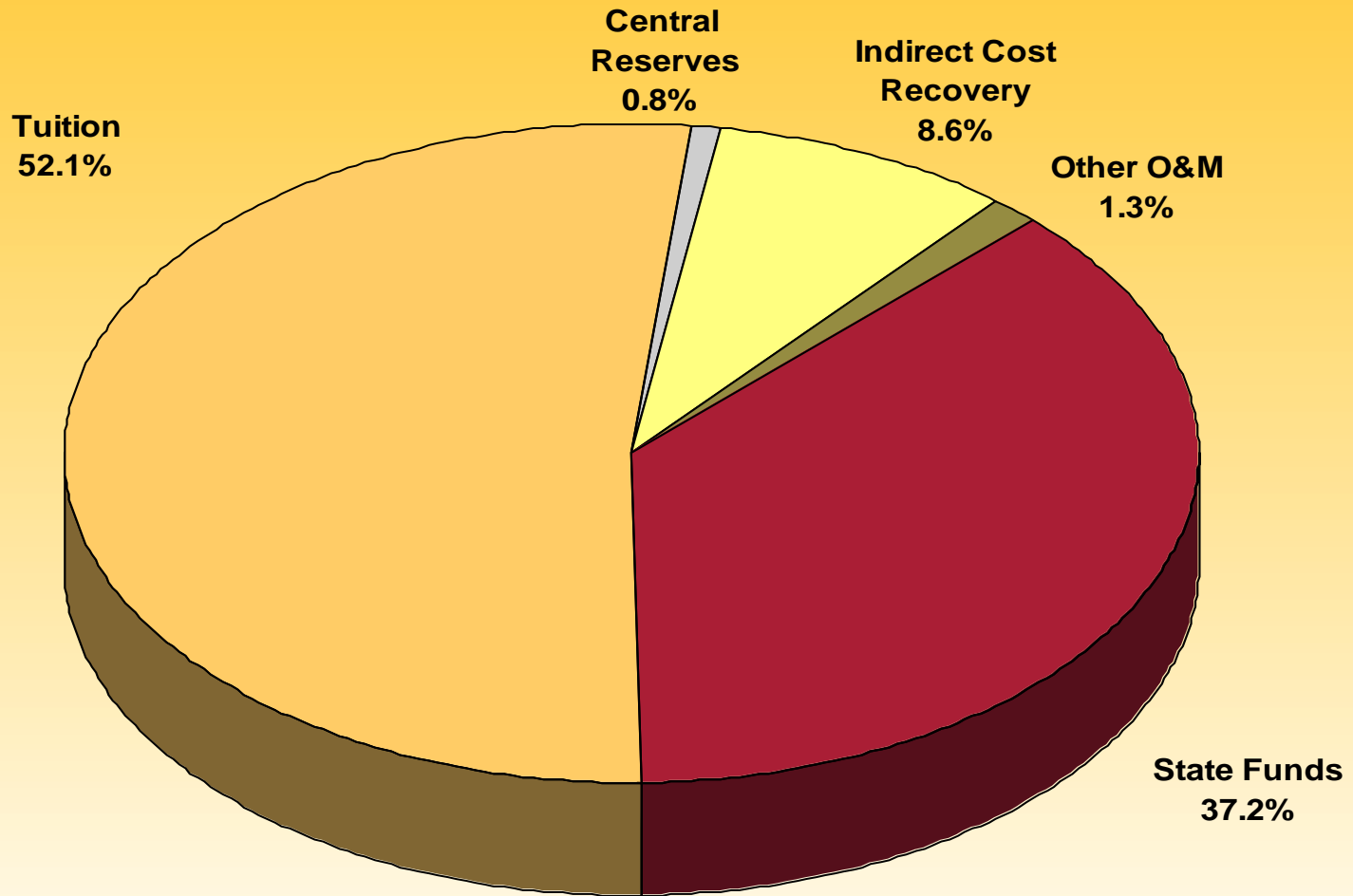


# Revenue Sources: all funds FY14 (excluding ISOs) = \$3.4 Billion



# Centrally Attributed and Distributed Revenues

FY2014 Operating Budget: \$1,617,286,583





# Budget Development Process

## *Defining the budget framework & balancing the budget*

Part 1: Available Resources

Part 2: Costs & Investments



Part 3: Balancing the Budget



### FY14 Budget Framework

#### Resources:

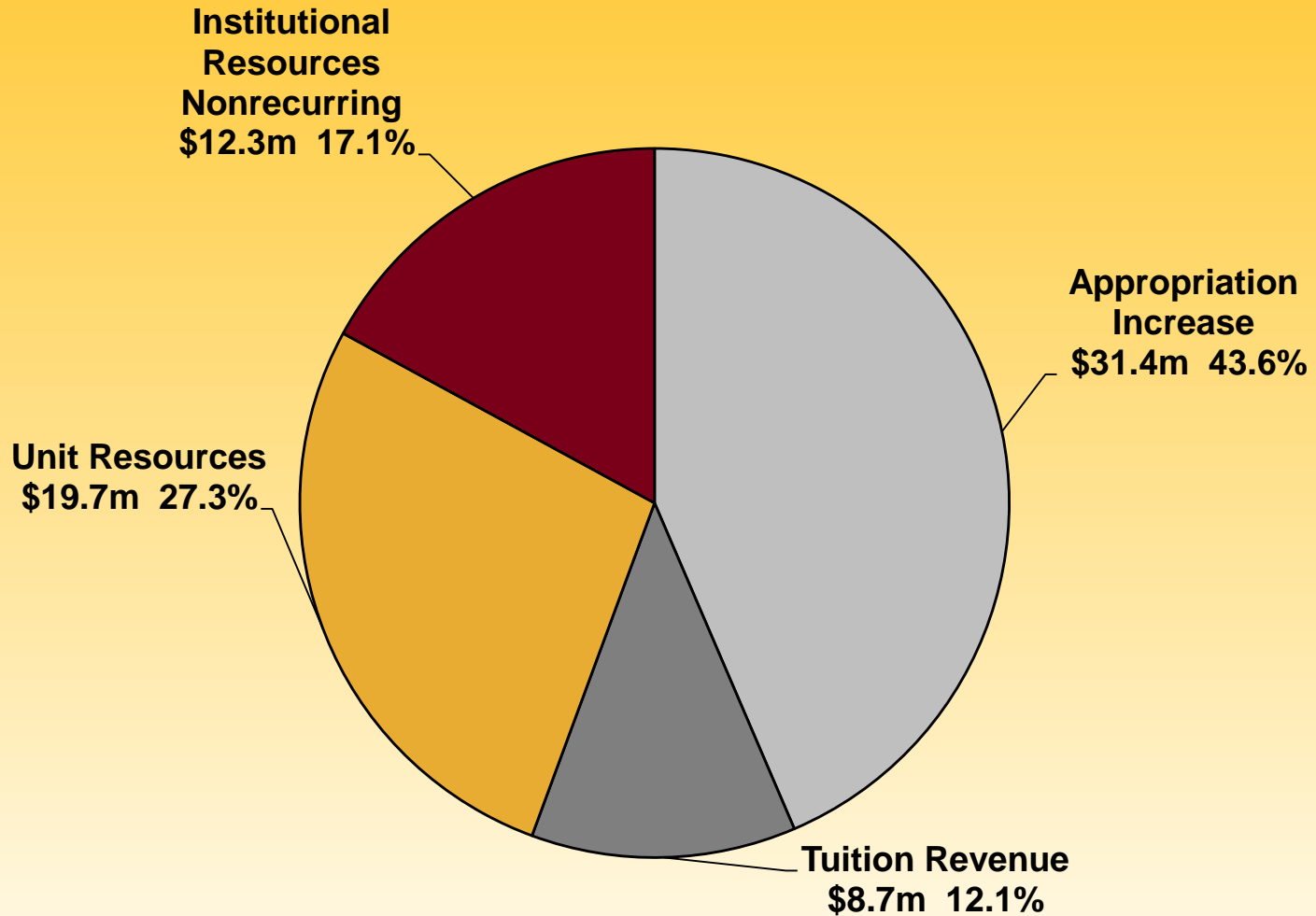
Increased State Appropriation	\$31,400,000
Tuition Revenue Increase	8,700,000
Unit Resources	19,700,000
One-Time Institutional Funds	<u>12,300,000</u>
Total Incremental Resources	\$72,100,000

#### Expenditures:

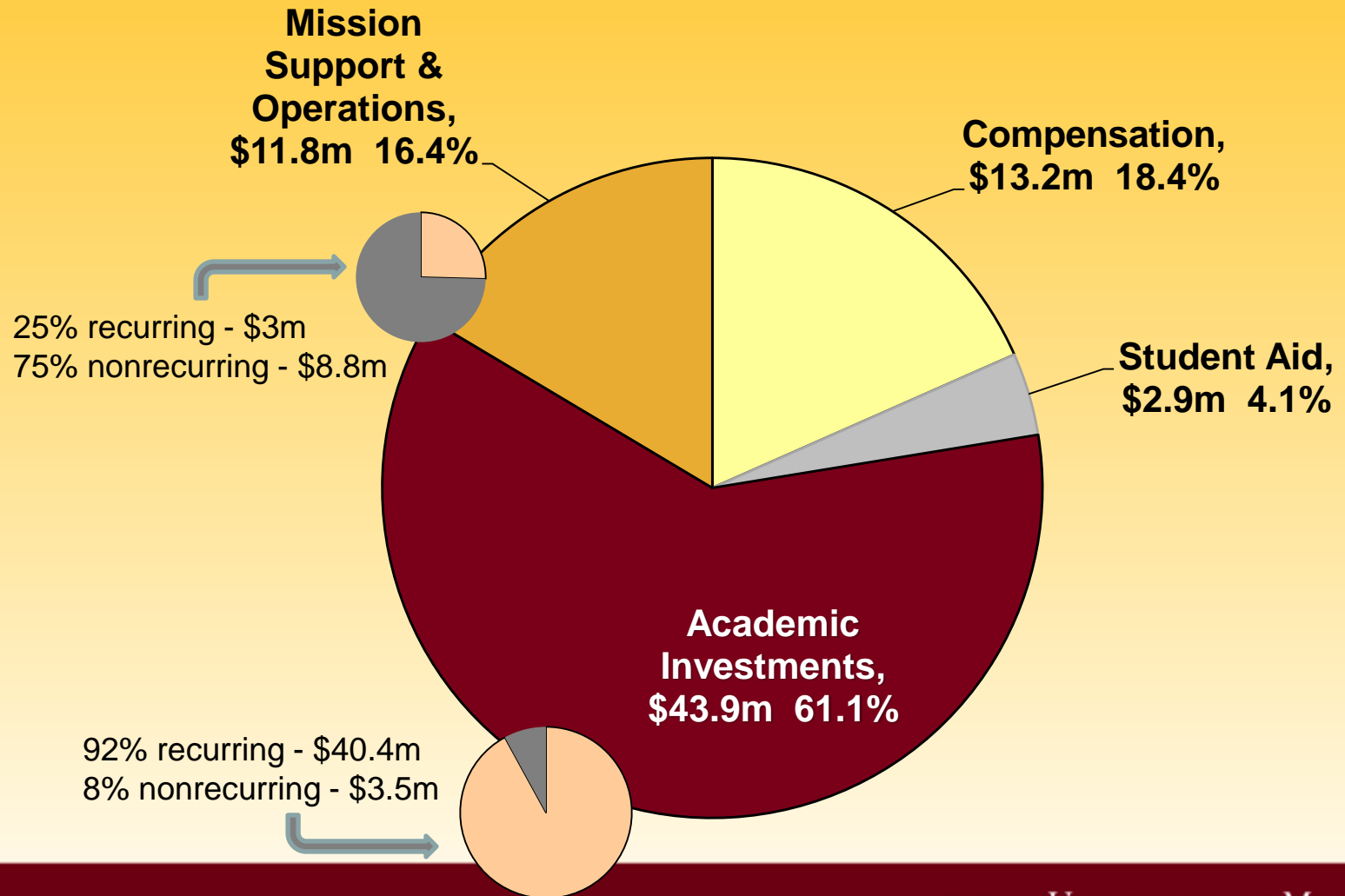
Compensation	\$13,200,000
Student Financial Aid	2,900,000
Academic Initiatives	43,900,000
Mission Support & Operations	<u>11,800,000</u>
Total Incremental Expenditures	\$71,800,000



# Part 1: Available Incremental Resources = \$72.1 Million



# Part 2: Incremental Costs & Investments = \$71.8 Million



# State Performance Measure – Administrative Costs

## **S.F. 1236 makes 5% of the University's FY15 appropriation (or \$26.5m) contingent on meeting three of five performance goals**

1. Increase by at least 1% the Twin Cities campus undergraduate four-year, five year or six year graduation rates averaged over three years, for low-income students reported in fall 2014 over fall 2012
2. Increase by at least 3% the total number of undergraduate STEM degrees, averaged over three years, conferred by the University of Minnesota Twin Cities campus reported in fiscal year 2014 over fiscal year 2012
3. Increase by at least 1% the four-year, five-year, or six-year graduation rates, averaged over three years, at the University of Minnesota reported in fall 2014 over fall 2012
4. **For fiscal year 2014, decrease administrative costs by \$15,000,000**
5. Increase invention disclosures by 3% for fiscal year 2014 over fiscal year 2013

- *\$10m identified to date*
- *\$5m more will be identified by end of the fiscal year by documenting reallocations that continually take place as part of ongoing performance improvements, through operational excellence initiatives and Sibson spans and layers and Huron benchmarking reports*



# Change in Tuition, Fees and Room & Board FY14 vs. FY13

<b>Twin Cities Campus, Undergraduate, Resident – Residence Hall</b>					
	FY13 Academic Year	FY14 Academic Year	\$ Increase	% Increase	FY14 % of Total
Tuition (13-credit band)	\$12,060	\$12,060	\$0	0.0	55.3
Student services fee	737	830	93	12.6	3.8
Collegiate fee*	443	443	0	0.0	2.0
Other Required Fees**	144	146	2	1.4	0.7
Subtotal tuition & required fees	13,384	13,479	95	0.7	61.8
Room & Board (double room, 14 meal plan)	8,000	8,312	312	3.9	38.2
<b>Total Cost– Twin Cities</b>	<b>\$21,384</b>	<b>\$21,791</b>	<b>\$407</b>	<b>1.9%</b>	<b>100.0%</b>

\*Average of all undergraduate programs, 6+ credits

\*\*MN Student Association, capital enhancement Fee, Stadium Fee, Transportation Fee



# Three Fee Categories: Summary of Changes for FY14

## Limited increases or new fees proposed:

- for new courses/misc. items in a grouping that has traditionally been supported through fees (e.g. new ARTS course)
- for areas where the costs covered through the fee are increasing significantly (e.g. chemical or dental supplies)
- for increased external pass-through costs (e.g. study abroad or testing services)
- for restructuring of existing fees to better reflect costs (e.g. 3 tiers moving to 4 tiers)

### Academic Fees

There are no changes proposed for any campus or collegiate fee for FY14.

There is one proposed decrease in a durable goods fee at Rochester.

### Misc. Term Fees

86.7% - no change  
.3% - decreasing  
9.0% - increasing  
4.0% - new

### Course Fees

74% - no change  
9% - decreasing  
8% - increasing  
9% - new



# The Fiscal Year 2013-14 Annual Operating Budget Resolution

