



UNIVERSITY OF MINNESOTA

Driven to DiscoverSM

University Budget Update

- **Review Governor's current recommendation** and impact on the budget
- **Examine the federal stimulus bill**, also known as the American Recovery and Reinvestment Act (ARRA)
 - Opportunities for the University: research and affordability
 - Impact on state budget and the University's state base budget appropriation
- **Review our approach** to balancing the budget
- **Share our preliminary thoughts** on how we plan to use funds received under the federal stimulus bill

Stimulus Bill Opportunities: Research

- The stimulus bill includes more than \$21B in research funding opportunities.
 - NIH received \$10.4B (Typical annual budget is \$29B)
 - NSF received \$3B (Typical annual budget is \$6B)
 - Departments of Energy and Education were other key beneficiaries
 - Agency-specific mechanisms for disbursement
 - One-time funding; two-year interval

Stimulus Bill Opportunities: Research

Leveraging the opportunity:

- Prior to passage, OVPR anticipated need for accurate information and resource scale-up
- Created central resource to provide accurate, real-time information to faculty and administrators
 - Launched dedicated Web page (7,500+ page-views to date)
 - Created e-mail listservs (700 total subscribers)
 - OVPR and Federal Relations gathering info from sources including federal agencies and national associations and forums
- Providing easy-to-use application tools and references
- Matching researchers with funding opportunities
- Coordinating high-dollar infrastructure proposals

Stimulus Bill Opportunities: Research

Managing the opportunity:

- Anticipate large workload surges during proposal submission and award setup phases
 - Affected administrative units ramping up their resources
- ARRA research grants will include stringent new reporting requirements
 - Must be tracked separately from regular grants
 - Expenditures will be closely scrutinized
 - Funds must be spent in timely manner
 - Required to track new elements, including jobs created/retained
 - Quarterly reporting required 10 days after quarter end
 - Will require changes to reporting tools and systems

Stimulus Bill Opportunities: Affordability

- The newly expanded Hope Scholarship tax credit of \$2,500 will benefit at least 80% of the U's undergraduate students, regardless of their residency status.
 - Families with incomes up to \$160K can claim the full credit.
 - Even the lowest income families with no federal tax liability will be able to claim up to \$1,000, because the tax credit is refundable.
- It raises the maximum expected family contribution (EFC) for a federal Pell Grant from \$4,731 to \$5,350.
 - This will increase the number of low-income Minnesota students who are eligible for the Founders Free Tuition Program by approximately 10%.
- It invests additional money in Federal Work Study.

State Base Budget Challenge

Original FY2010-2011 biennial reductions

\$75.5M recurring cut (governor's proposal)
+ \$2.5M recurring cut (passed in 2008 session)
= \$78M recurring cut, or \$156M total

Additional internal challenge

\$78M cut in year one (proposed)
+ \$55M in increased required spending
= \$133M budget challenge in 2009-10 alone

State Base Budget Challenge

Possible additional year-one challenge under the ARRA

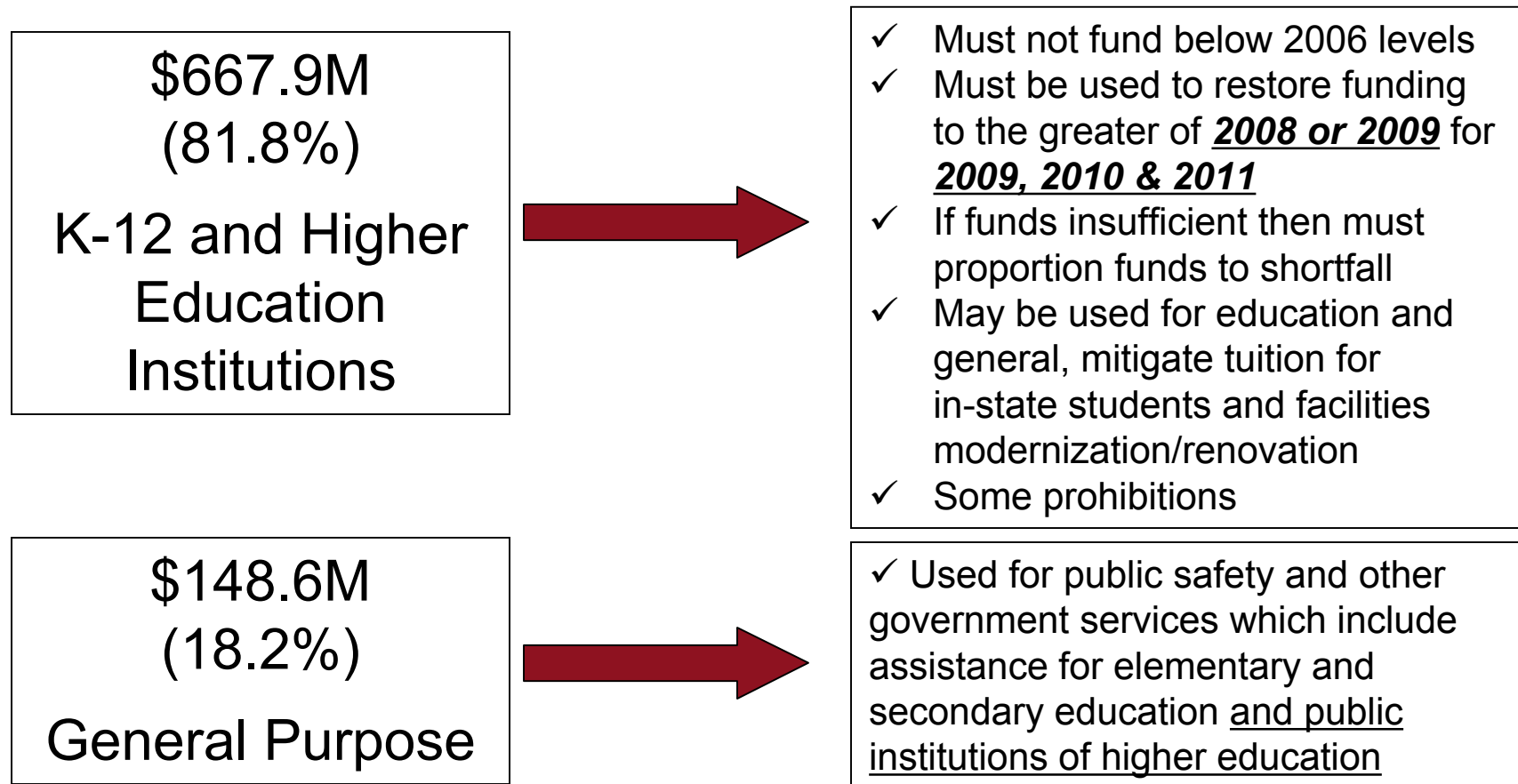
\$133M budget challenge in 2009-10 alone
+ \$36M potential cut in year one (to 2006 levels)
= \$169M budget challenge in 2009-10 alone

Why: The ARRA State Fiscal Stabilization Fund requires state support to not drop below 2006 levels.

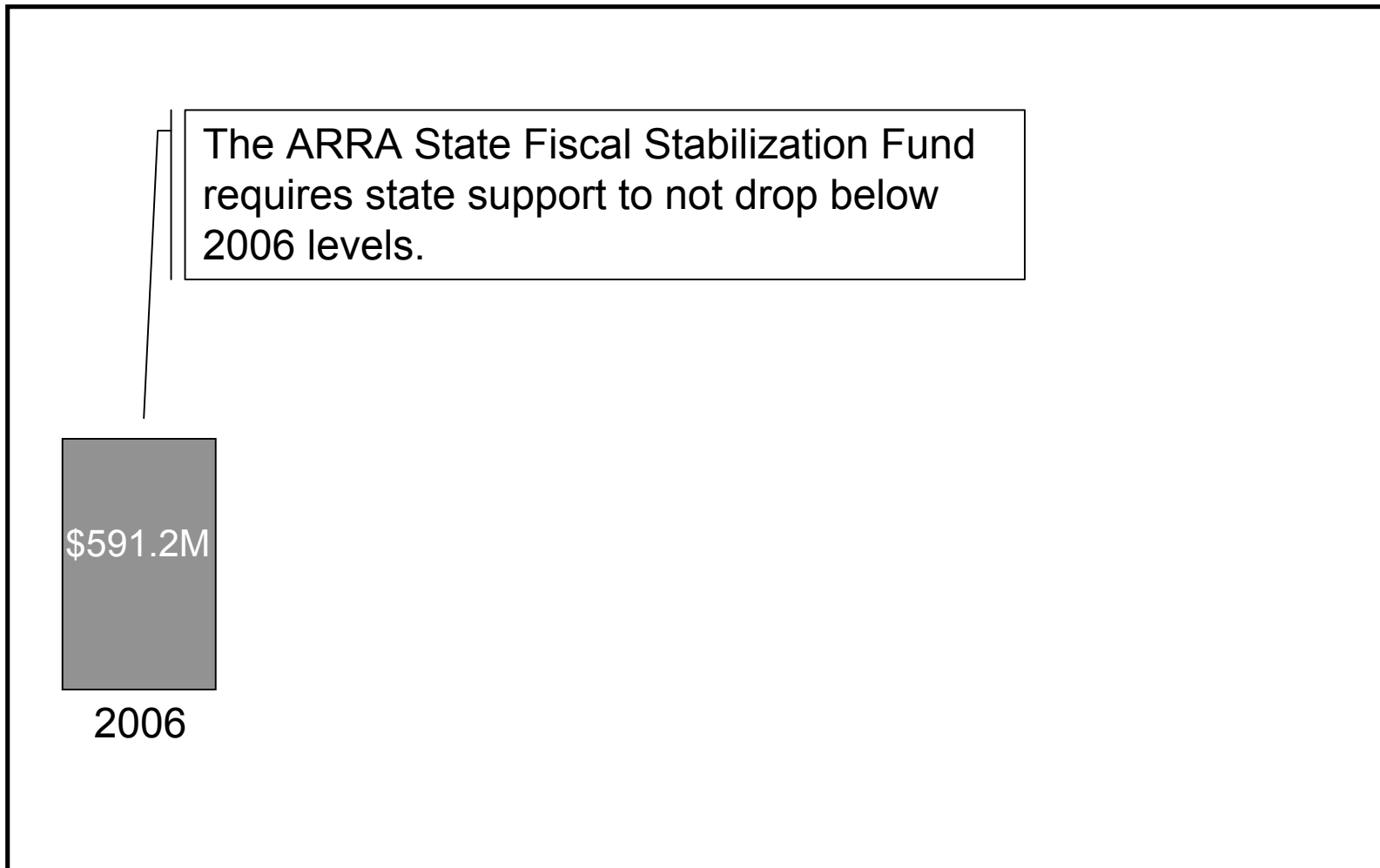
Result: Our state budget base for the next biennium could be set at 2006 levels – and could remain there when stimulus funds expire in 2012.

State Fiscal Stabilization Fund

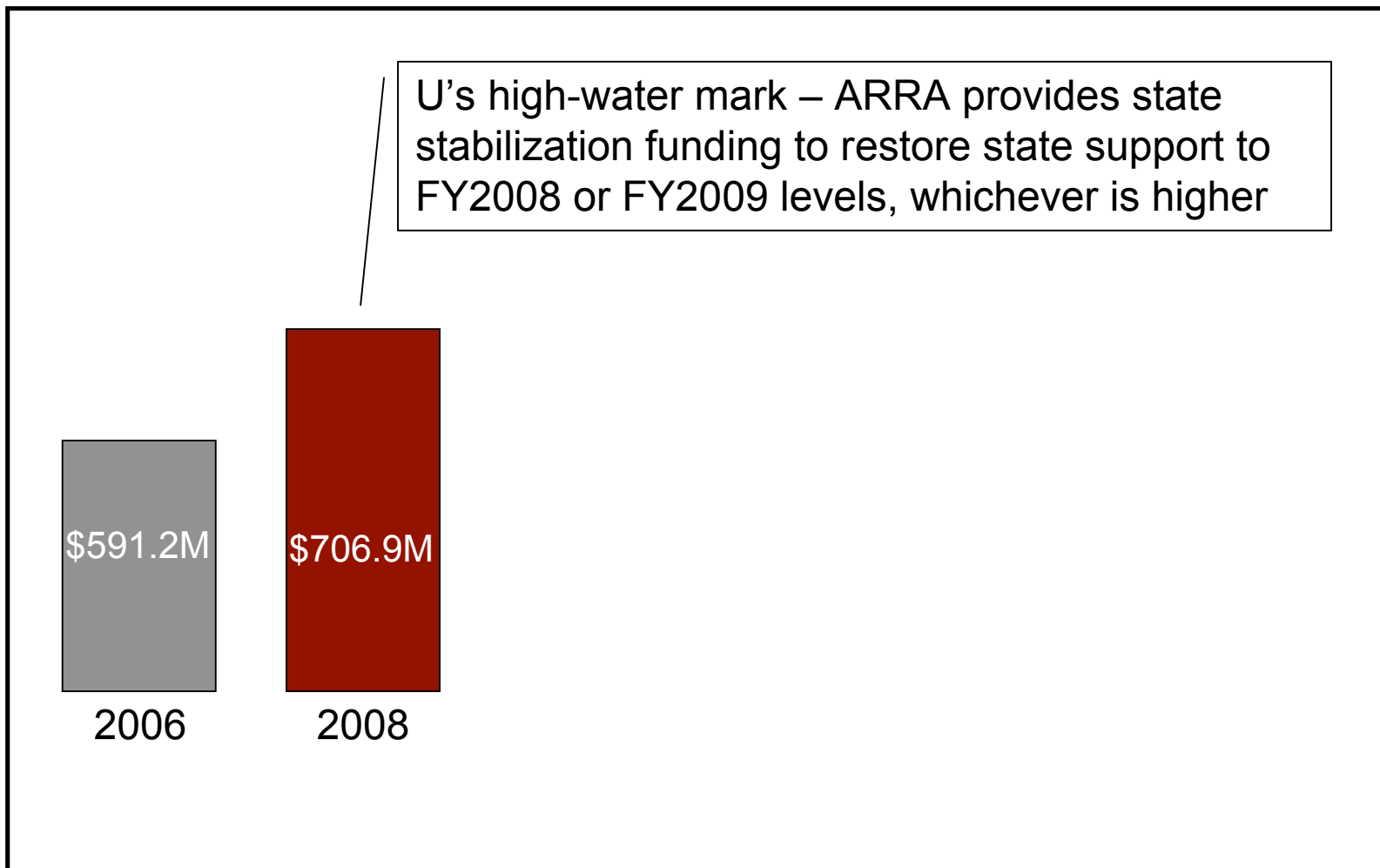
State of Minnesota's Share = \$816.5M



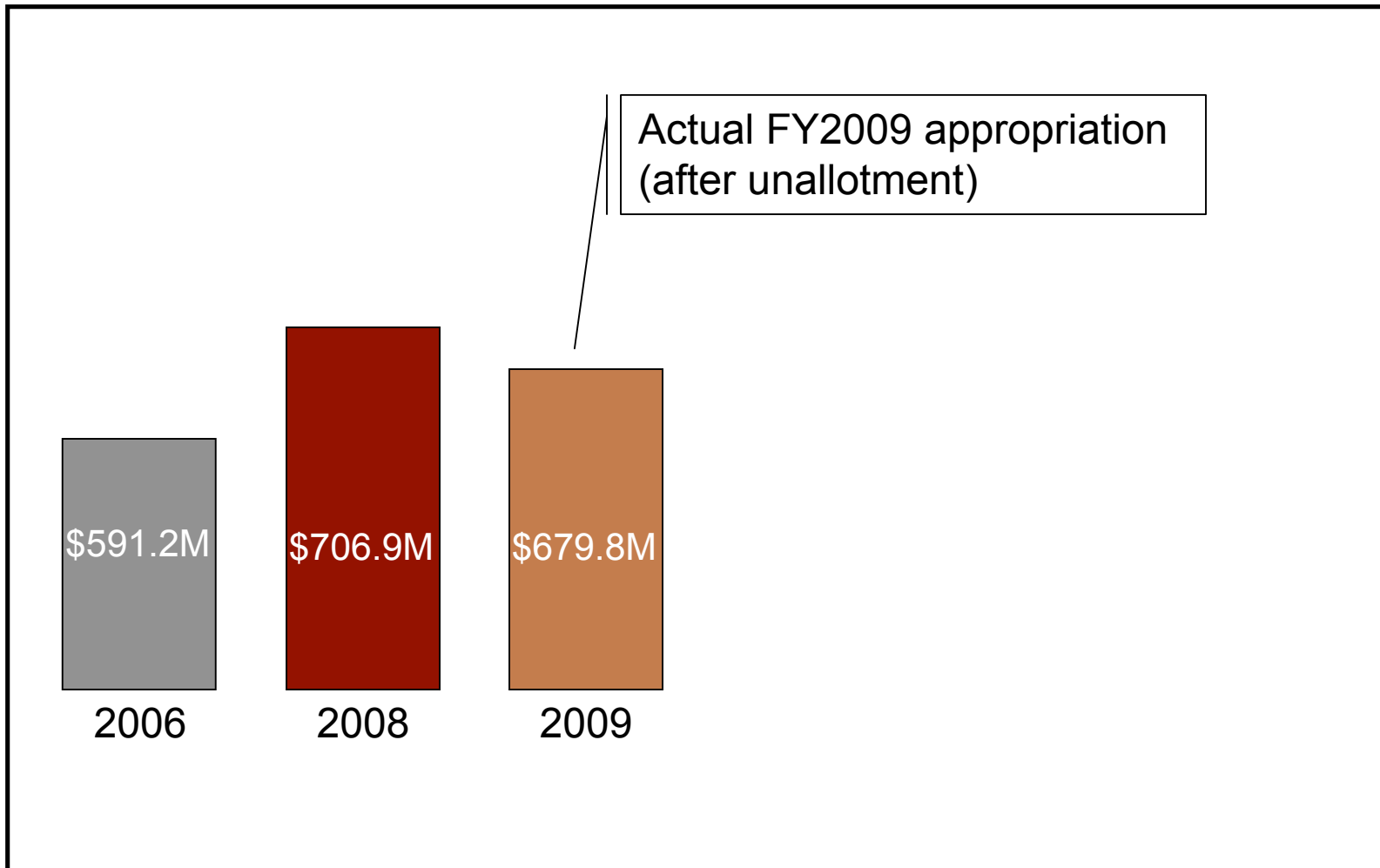
Potential Erosion of State Budget Base



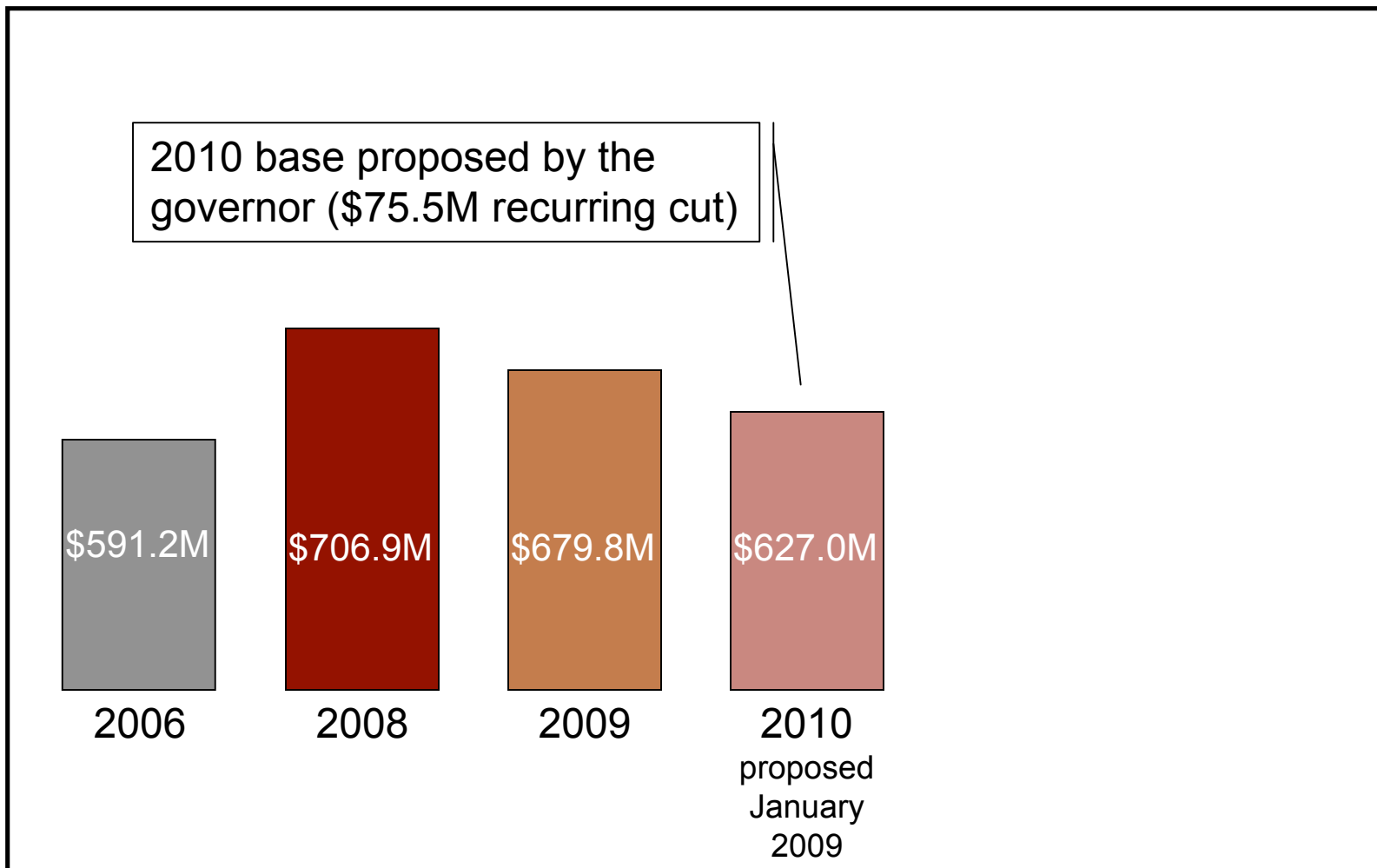
Potential Erosion of State Budget Base



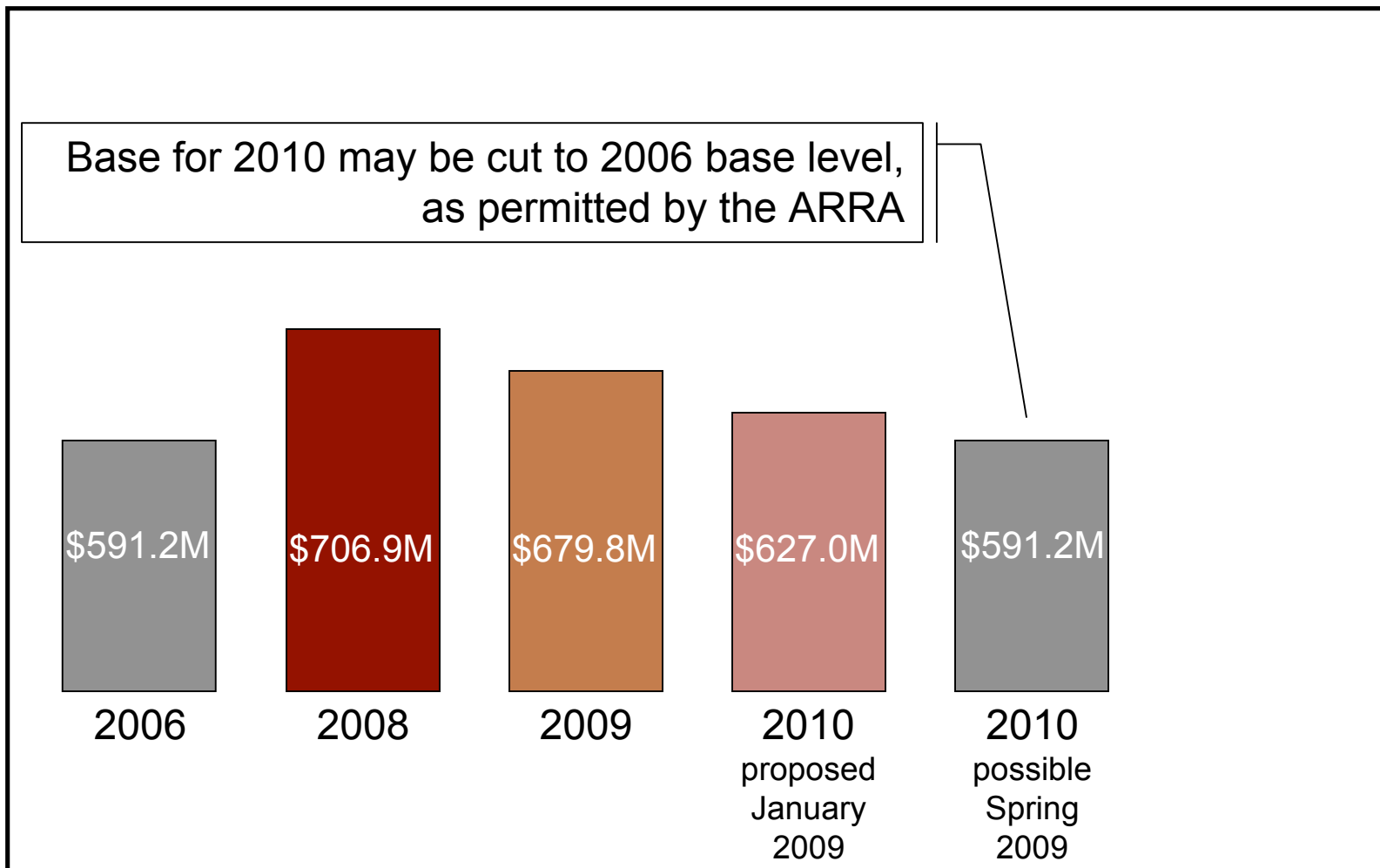
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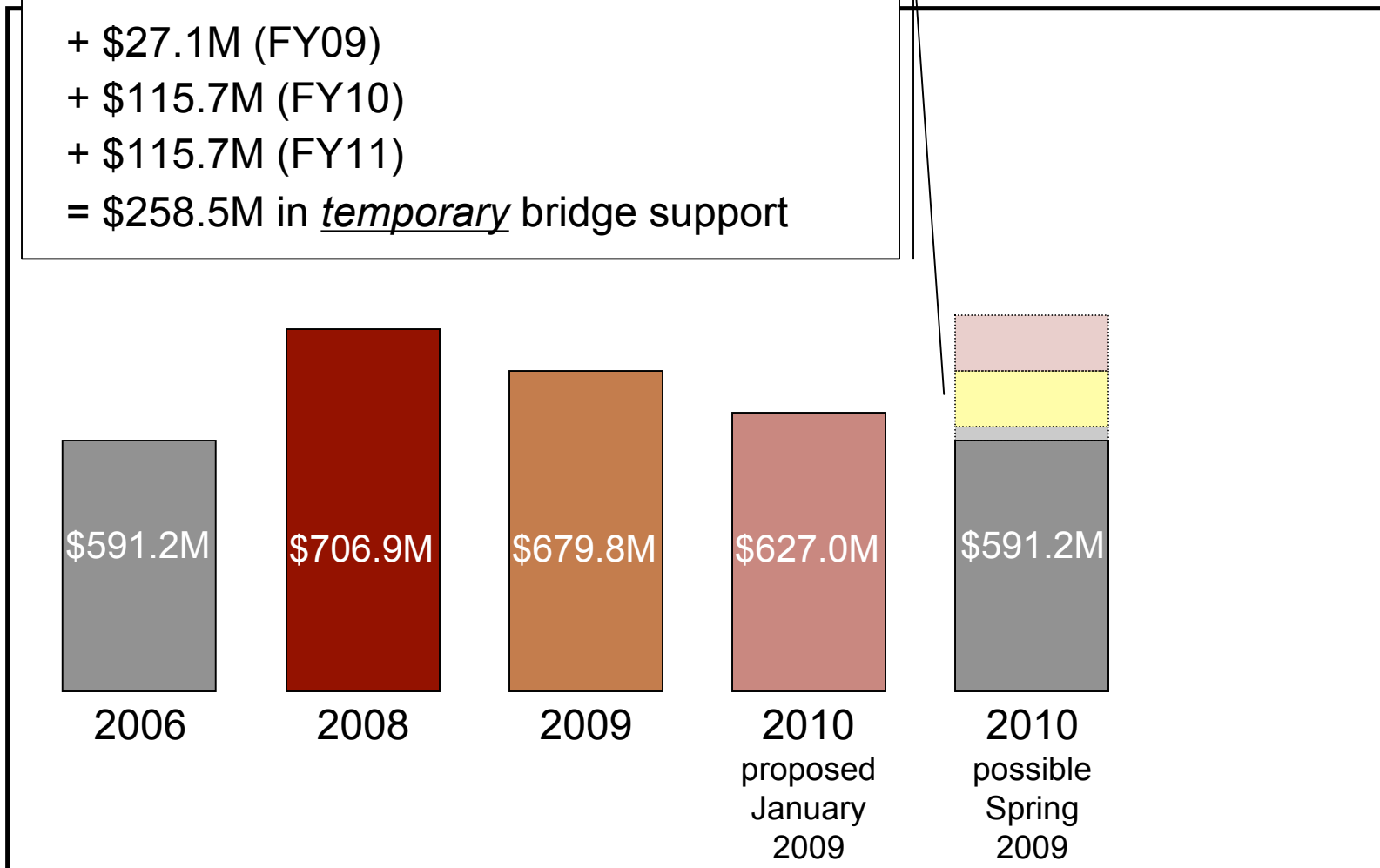
Potential Erosion of State Budget Base



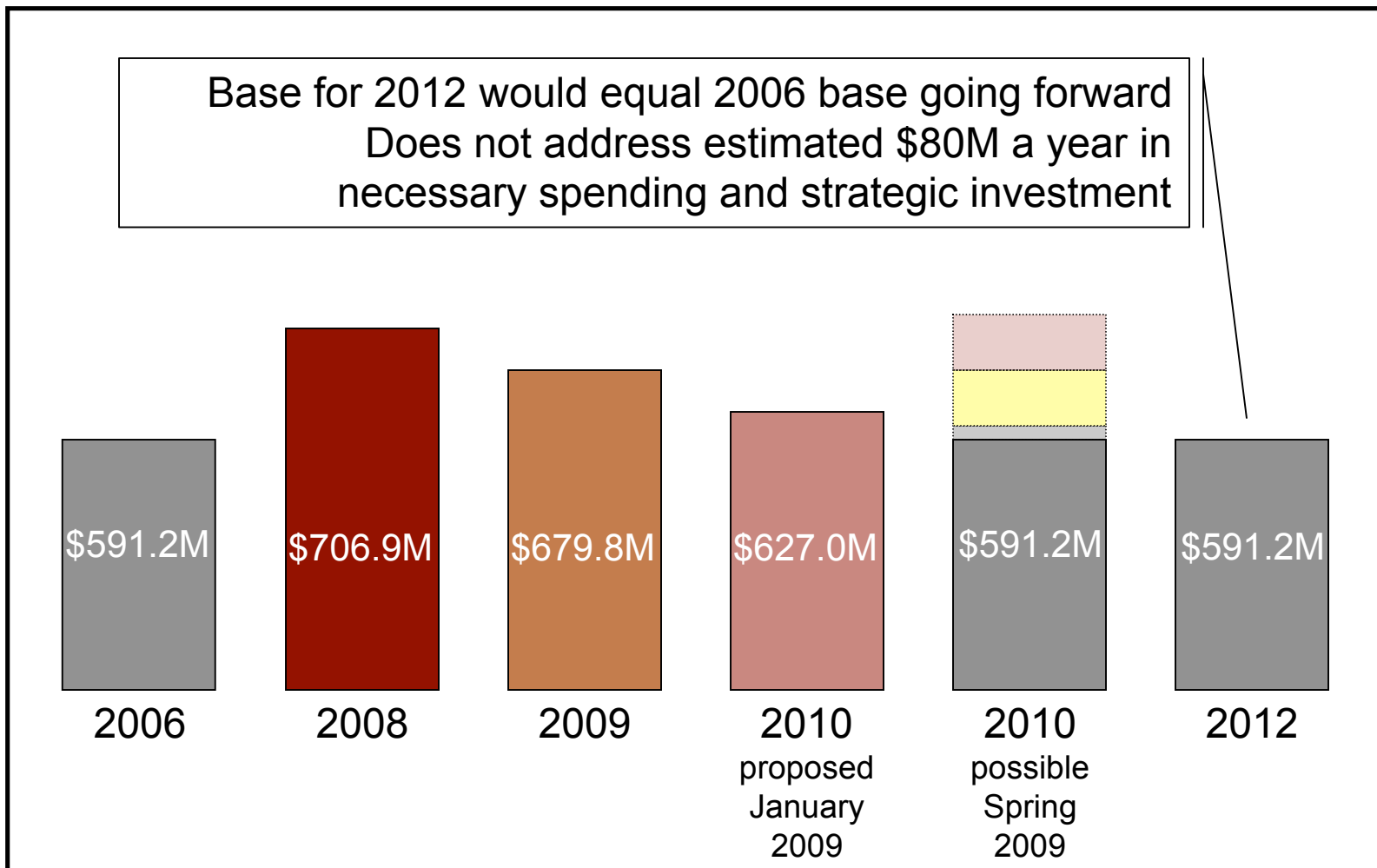
Potential Erosion of State Budget Base

ARRA State Stabilization Funds distributed:

- + \$27.1M (FY09)
- + \$115.7M (FY10)
- + \$115.7M (FY11)
- = \$258.5M in *temporary* bridge support



Potential Erosion of State Budget Base



Budget Principles and Strategies

- Maintain the University's momentum, quality and competitiveness
 - **ARRA Strategy:** Use non-recurring funds for investments that reshape the University for a future with less state funding
- Compensate, support & retain talented faculty & staff
 - **ARRA Strategy:** Create opportunities to keep people employed without increasing recurring obligations
- Increase productivity by reducing costs & increasing revenues
 - **ARRA Strategy:** Use nonrecurring funds to support initiatives that will result in enhanced revenue generation in the future
 - **ARRA Strategy:** Maximize opportunities to save recurring costs through nonrecurring investment

Budget Principles and Strategies, cont'd

- Improve financial access & affordability for students at all levels (especially middle-income students)
 - **ARRA Strategy:** Protect financial access and affordability for students through scholarships to temporarily hold down tuition costs and total cost of attendance.
- Use all available tools to address long- & short-term budget & investment challenges
 - **ARRA Strategy:** Provide bridging funds in situations where strategic recurring allocations take time to implement
 - **ARRA Strategy:** Leverage opportunities to use stimulus funds to enhance the value of, or create new value from, existing University assets
- Remain accountable to these principles and to the U's well-established strategic planning priorities & criteria

Higher Education Affordability

- In these challenging economic times, one of the U's highest priorities is the effective use of resources to support students.
- One of the best ways for students to manage the costs of their education is to graduate in four years.
- Adequate financial aid support is essential to ensure that students who come here and are prepared to succeed can graduate in four years.
- Financial support for students from middle-income families is a major concern.

Strong state support matters in keeping higher education affordable.

Middle Income Scholarship Program

- Based on need: students from lower-income families receive larger scholarships than higher-income students:
 - Student with \$50K family income: \$1,500
 - Student from \$75K family income: \$1,000
 - Student from \$95K family income: \$500
- Supplements the Founders Free Tuition Program.
- All MN undergraduates from families with incomes up to \$100K receive at least \$500 in U scholarship support.

Many of these students already receive significant scholarship support – the new program will guarantee that all such students do.

Budget Planning Strategies

- Administrative strategies
- Academic strategies
- Human resource strategies
- Business system strategies
- Facilities, technology and other capital strategies

In each category, we are looking for opportunities to:

- Restructure for efficiency and effectiveness
- Reduce cost
- Defer investments
- Improve productivity and service
- Generate additional revenue

University Budget Update: Takeaways

- We must continue to stabilize and strengthen the University's financial model to address future needs.
 - Stimulus funds provide needed, but temporary relief; in 2012, the drop-off appears sudden and severe.
 - We have no alternative but to continue to cut costs and reduce our base budget.
 - We must grow reliable sources of recurring revenue, including tuition, sponsored funding, private support, etc.
 - We must urge the state to enter into a new financial compact in 2012.
- Since tuition dollars are essential, we must continue to find creative ways to discount the cost of education in relation to financial need.