

# Financing the Future: The Role of Tuition

President Robert H. Bruininks

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UNIVERSITY OF MINNESOTA

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

# Transforming the U: Framework

**VISION:** Improve the Human Condition Through the Advancement of Knowledge

**MISSION:** Extraordinary Education • Breakthrough Research • Dynamic Public Engagement

**GOAL:** Become one of the Top Three Public Research Universities in the World

**EXCEPTIONAL STUDENTS**  
*Recruit, educate, challenge, and graduate outstanding students who become highly motivated lifelong learners, leaders, and global citizens.*

**EXCEPTIONAL FACULTY AND STAFF**  
*Recruit, mentor, reward, and retain world-class faculty and staff who are innovative, energetic, and dedicated to the highest standards of excellence.*

**EXCEPTIONAL ORGANIZATION**  
*Be responsible stewards of resources, focused on service, driven by performance, and known as the best among our peers.*

**EXCEPTIONAL INNOVATION**  
*Inspire exploration of new ideas and breakthrough discoveries that address the critical problems and needs of the University, state, nation, and world.*

**FOUNDATION FOR SUCCESS:** Foster Culture of Excellence • Cultivate International Learning  
Advance Interdisciplinary Frontiers • Build Diverse Community • Generate Critical Resources • Account for Results

  
**MAY 2006**

UNIVERSITY OF MINNESOTA

## Transforming the U: Key Financial Strategies

- **Increase and stabilize state support** to advance the University's strengths and comparative advantages.
  - **Develop a tuition strategy** that provides a reasonable and consistent level of support for the University's core educational costs.
  - **Increase sponsored funding** to support the University's culture of discovery and innovation.
  - **Increase private support** for University priorities.
  - **Align resources** to meet our strategic priorities.
    - Implement disciplined cost reduction and productivity improvement strategies.
    - Maximize the growth and impact of existing University assets.
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# Financing the Future: Key Policy Questions

**We're working to develop a common framework** for examining our diverse revenue streams and informing our financial strategies.

**For each of these key financial strategies, ask:**

- What is the essential role of this revenue stream in support of the University's mission?
  - What are the historic trends and future projections for this revenue stream at the University, and how does that compare with our peers?
  - What actions must be taken to develop this revenue stream and make it more productive?
  - Does this revenue source support our strategic plan and goal at an appropriate level?
  - **What will it take to finance the future of the University, and how can we achieve it?**
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# Financing the Future: Sponsored Funding

**The 2007 Annual Research Report** addressed these questions.

- What is the essential role of this revenue stream in support of our mission?
  - **Funds research vital to our public mission:** 20% of all-funds budget; 100% dedicated to the U's research mission.
- What are the historic trends and future projections for this revenue stream at the University, and how does that compare with our peers?
  - **We're gaining on top 3:** 9th in expenditures; 2nd largest increase; top 10 by several measures – but competition remains intense.
- What actions must be taken to develop this revenue stream and make it more productive?
  - **8 specific actions:** Focus on increasing research support from institutional, industry and federal sources.
- Does this revenue source support our strategic plan and goal at an appropriate level?
  - **Not yet:** We must continue to grow these revenues. The gap between the U and "top 3" is \$205M for 2006, down from \$237M in 2005.

# Transforming the U: Key Financial Strategies

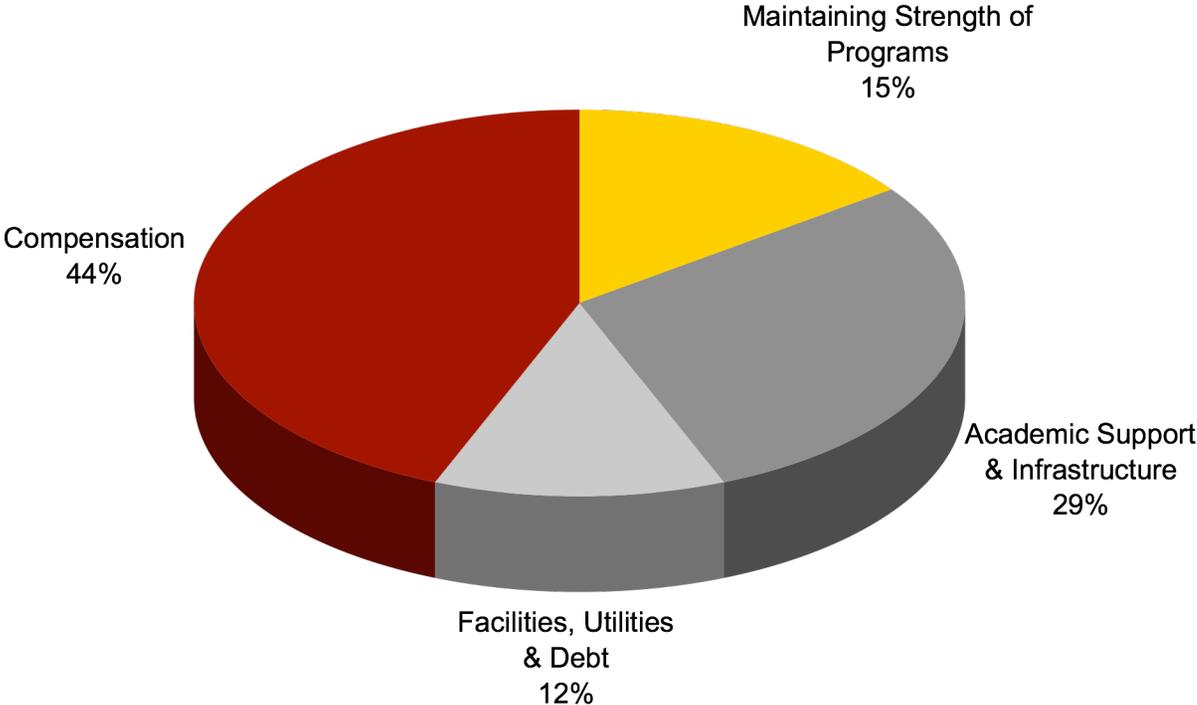
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**As part of Transforming the U, we are rethinking each of these financial strategies in terms of the same five policy questions.**



# Financing the Future: Baseline Needs

2005-07 Average Annual Budget Needs



# Financing the Future: Need for Investment

## Strategic Framework

Exceptional Students  
Exceptional Faculty  
& Staff  
Exceptional Organization  
Exceptional Innovation

## Budget Framework

Sustaining Quality  
& Competitiveness  
Creating  
Minnesota's Future

## Strategic Goal

To become one of  
the top three public  
research universities  
in the world, while  
achieving an  
equivalent standard  
of excellence for the  
coordinate campuses.

# Financing the Future: On Affordability

## November 2007 U.S. GAO Report

In the face of widespread concern that college is becoming less affordable:

- **Students are enrolling in record numbers.** Nationwide, more students are going to college than ever before – up 19% or roughly 2.2M students since 1995-96.
- **The system works.** More students attend the institutions with the lowest average tuition and fees; fewer attend the most expensive institutions.
- **Higher education is a great investment.** College graduates can expect to earn \$1M more, on average, than someone with just a high-school diploma.

**And this doesn't take into account financial assistance and institutional efforts to ensure affordability.**



# Financing the Future: Sources of Revenue

<i>Revenue Source (2007 Total Revenues: \$2.7B)</i>	<i>Average Annual Growth (1994-2007)</i>	<i>Percent of 2007 Revenues</i>
<b>State Appropriations</b>	3.0%	23.5%
<b>Student Tuition and Fees</b>	<b>9.7%*</b>	<b>23.1%</b>
<b>Sponsored Grants and Contracts</b> includes:	6.3%	26.3%
- Federal	5.7%	20.1%
- Non-Federal	9.2%	6.2%
<b>Gifts, Bequests and Endowment Income</b>	6.2%	5.0%
<b>Other Revenue</b> includes:	6.3%	22.2%
- Indirect Cost Recovery	7.4%	4.0%
- Auxiliary External Sales	5.1%	7.7%
- Other Miscellaneous Income	7.1%	10.5%

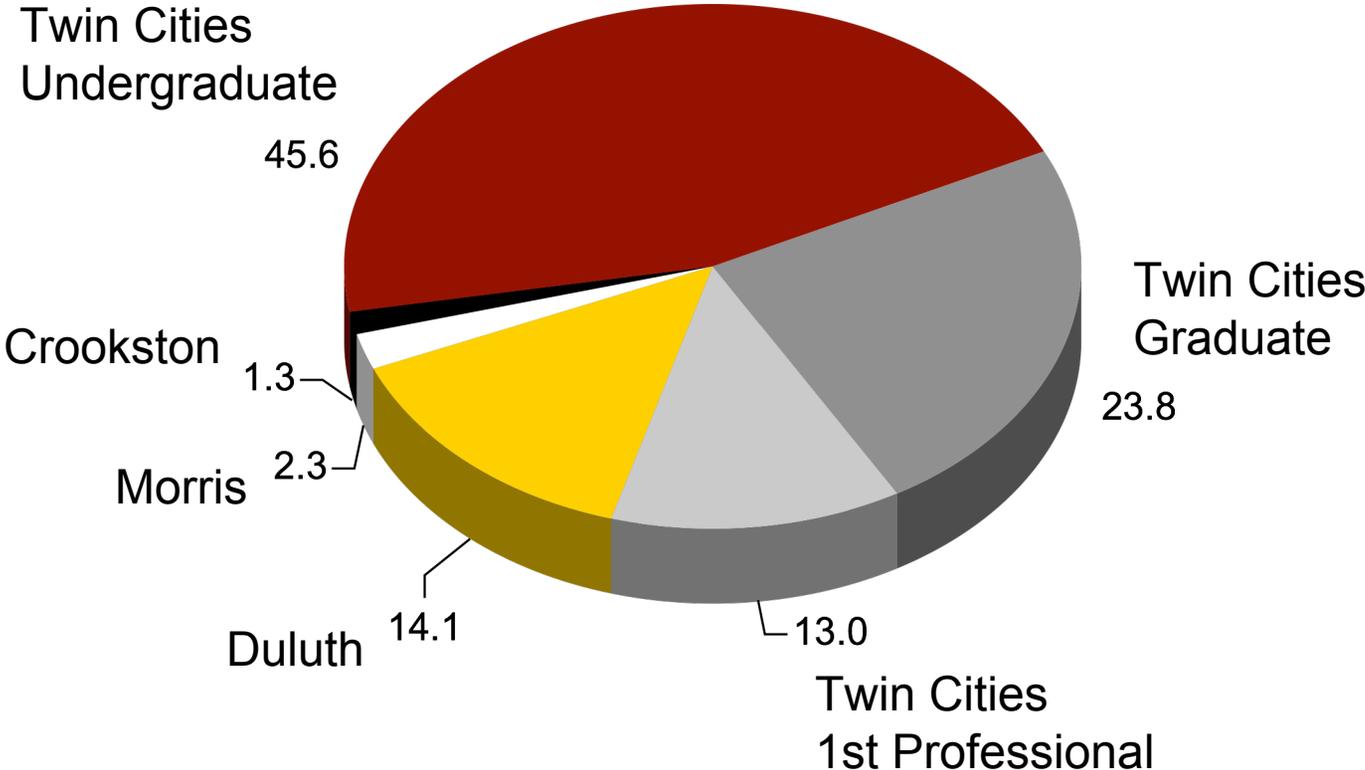
*\*Reflects enrollment growth plus increases in tuition rate and fees.*

## What Do We Know?

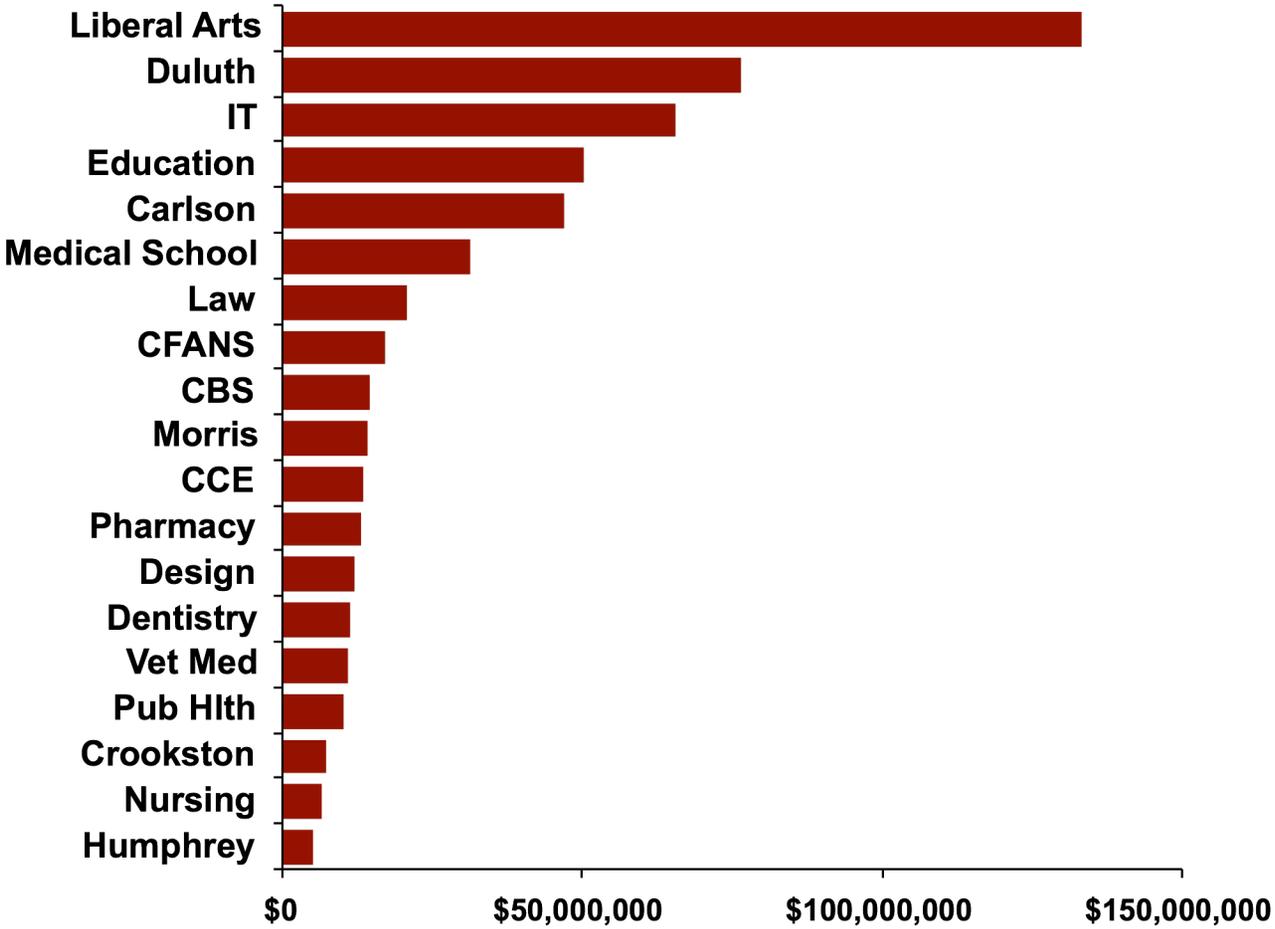
- **Outlook for tuition drivers** moving forward (discussed with the Board of Regents through committees):
    - State support and state policy
    - Access for Minnesota students
    - Overall enrollment picture
    - Financial impediments and timely progress toward graduation
    - Changing demographics, including population trends and diversity
    - Student financial assistance (public and private)
  - **Role of tuition** in our annual budget
  - **Revenue trends** including tuition and state appropriations
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# Role of Tuition: Campus-by-Campus

## 2006-07 Tuition Revenue by Source

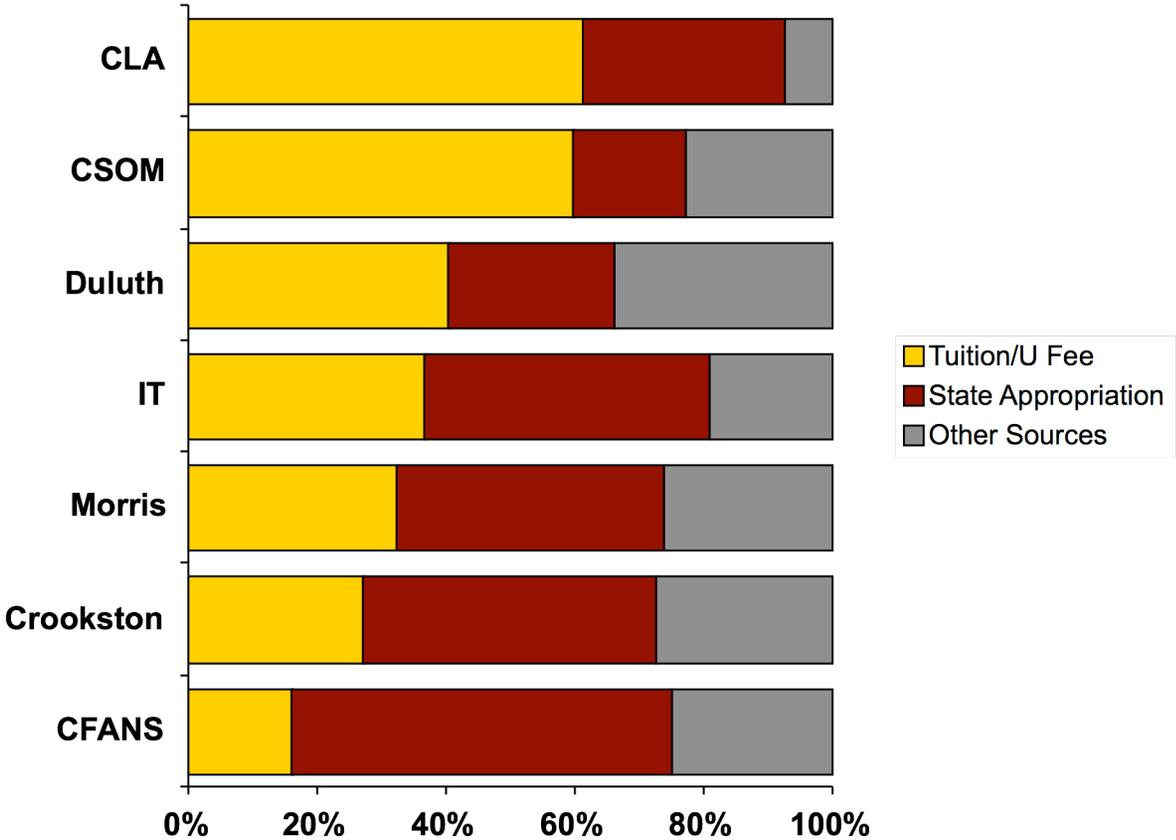


# Role of Tuition: By Campus and College

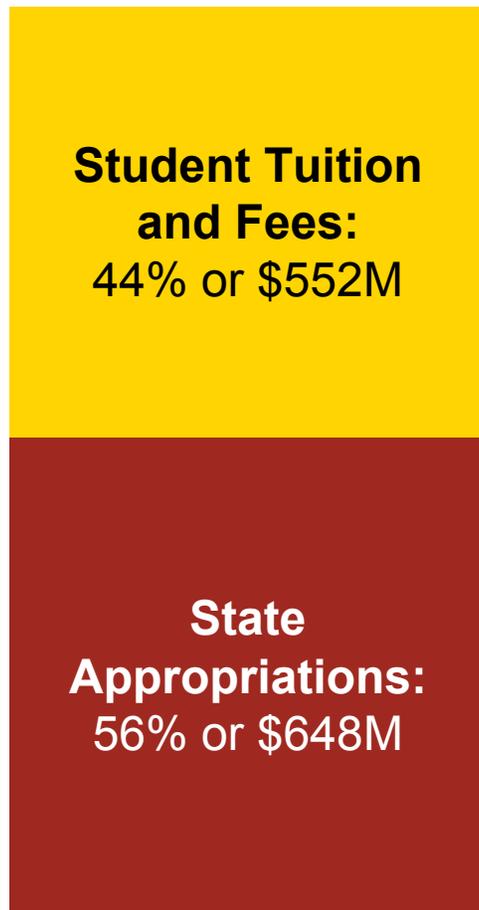


# Role of Tuition: Tuition + Appropriations

**Total FY07 Budgeted Non-Sponsored Revenues**  
(Percent of Total)



## Role of Tuition: Why It Matters



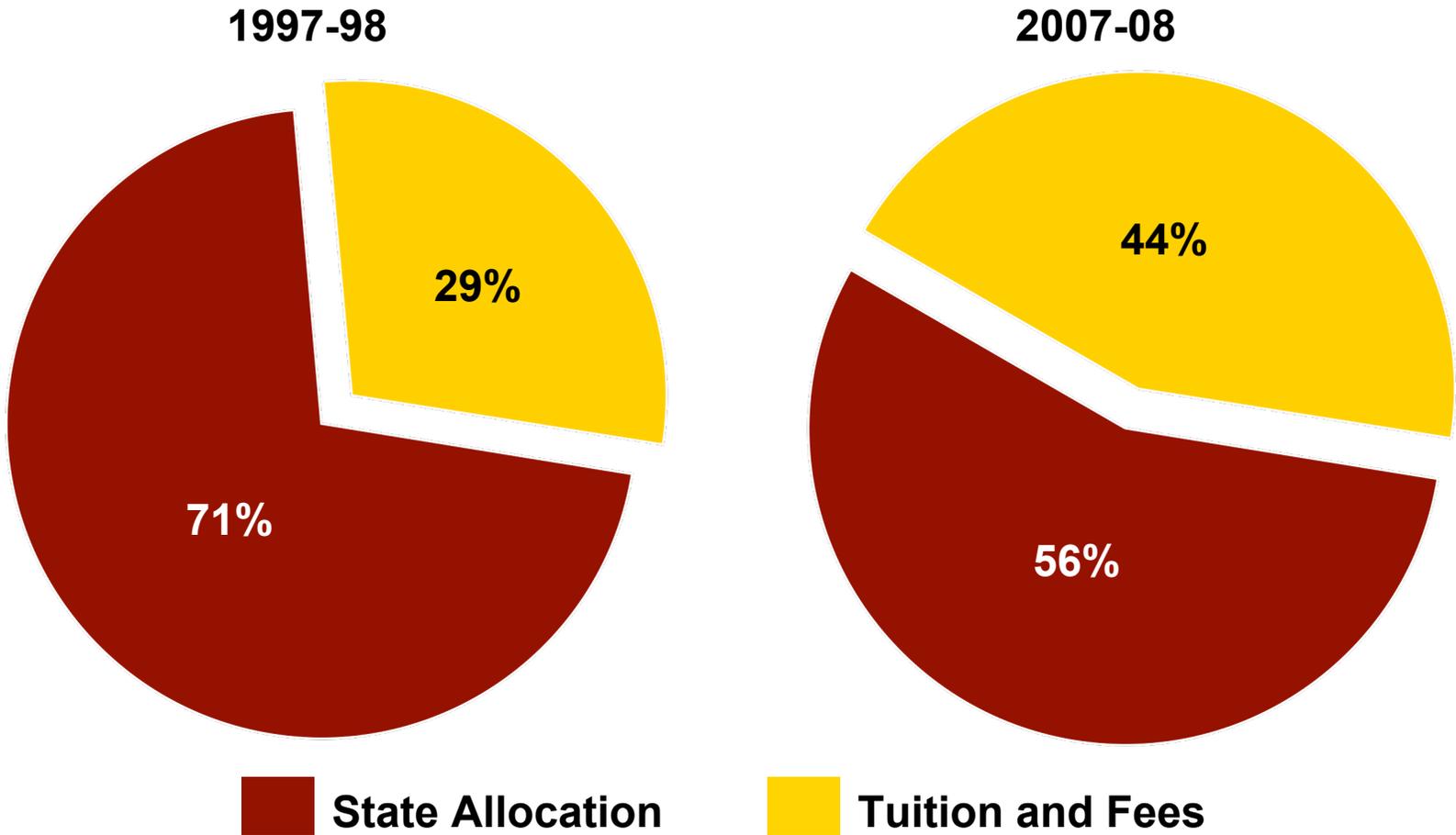
### FY 2007-08 State Appropriation and Tuition Revenue: \$1.2B

Why are these revenues so important?

- 70% of total spending on instruction
- 77% of total spending on student services
- 72% of total spending on faculty compensation
- 93% of the total budget of CLA\*
- 78% of the total budget of IT\*
- 75% of the total budget of CFANS\*

\* Excludes sponsored revenues.

# Revenue Trends: Change in Revenue Mix

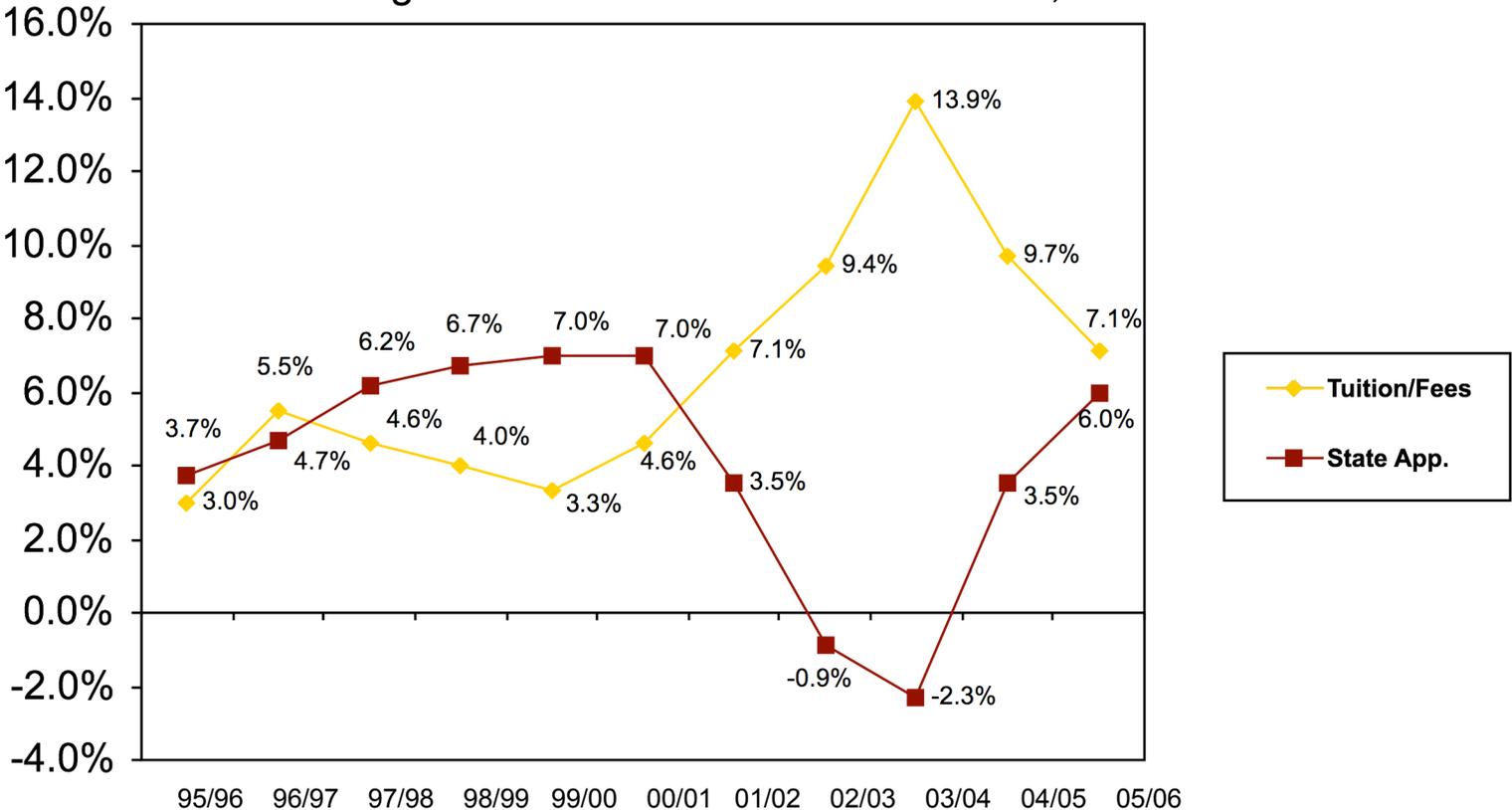


## Revenue Trends: Big Ten Tuition and Growth

<i>Big Ten Campus</i>	<i>2007-08 Resident Tuition &amp; Required Fees</i>	<i>10-Year Avg Growth Rate</i>	<i>5-Year Avg Growth Rate</i>	<i>1-Year Avg Growth Rate</i>
Penn State	\$12,844	118%	50%	6 %
Illinois-Urbana	\$11,130	154%	66%	13%
Michigan	\$11,111	78%	40%	7 %
Michigan State	\$9,912	97%	55%	12%
<b>Minnesota</b>	<b>\$9,598 (5<sup>th</sup>)</b>	<b>115% (7<sup>th</sup>)</b>	<b>53% (4<sup>th</sup>)</b>	<b>5% (6<sup>th</sup>)</b>
Ohio State	\$8,676	135%	52%	0 %
Indiana	\$7,837	99%	47%	5 %
Purdue	\$7,416	121%	33%	5 %
Wisconsin	\$7,188	122%	62%	7 %
Iowa	\$6,293	128%	50%	3 %

# Revenue Trends: Tuition and State Support

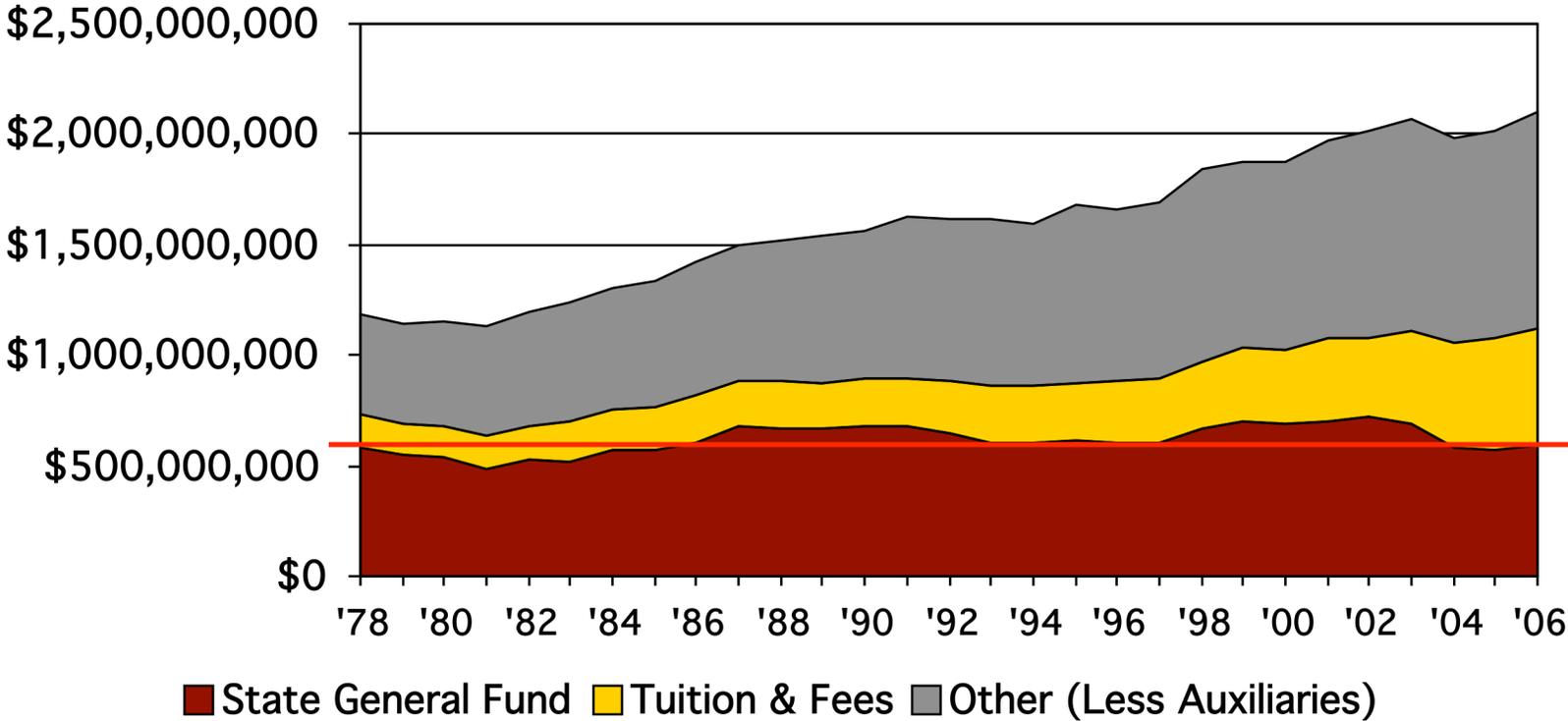
Resident Undergraduate Tuition and State Appropriations for Public Colleges and Universities: National Data, 1995-2006



Source: American Association of State Colleges and Universities, Dec. 18, 2006

# Revenue Trends: Adjusted for Inflation

**University of Minnesota Funding: FY 1978 – FY 2006**  
(in 2006 dollars, adjusted for inflation)



## What Can We Do?

- **Set policy** that reflects our mission and strategic goal.
  - **Regents policy on Tuition and Fees:** Shared responsibility; access, retention, and timely progress; tuition drivers
- **Establish principles and goals** that reflect our policy.
  - **Last spring:** Does our tuition strategy support student success? Does it position us well for the future?
- **Implement reforms and take action** in accordance with those principles and goals.
  - **Last spring:** Implemented reforms that reduced the cost of higher education for many students.
- **Develop alternative financial resources** and strategies to support our mission and strategic goals.

# Ensuring Affordability: Tuition Reforms

## Recent tuition reforms:

- **Established a 13-credit tuition band** at UMTC, UMC, UMD, and UMM to meet four-year graduation goals and help students control the total cost of education.
- **Reset undergraduate tuition rates** for UMD and UMM below the UMTC rate to be more competitive in the regional marketplace.
- **Eliminated nonresident tuition rates** for UMC and UMM.
- **Reduced nonresident, non-reciprocity rates** for undergraduate students at UMD and UMTC.
- **Changed Wisconsin reciprocity agreement** to establish tuition rates for Wisconsin students that are the same as for Minnesota residents.

# Ensuring Affordability: Financial Assistance

## Recent student-support initiatives:

- **The Promise of Tomorrow Scholarship Drive** has raised \$210M in private donations and matching funds to support students across the U's campuses.
- **The groundbreaking Founders Free Tuition Program** guarantees aid equal to tuition and required fees for all low-income, Pell-eligible Minnesota students.
  - The average family income of Founders scholars is \$25K per year.
  - Currently, the program supports 4,000 students system-wide – 36% of whom are students of color.
  - When fully implemented next year, 4,200 students will receive more than \$20M in support from U resources.
- **Since 2005, the University has strategically invested \$22.5M** to support graduate education, with nearly \$17M in the form of grants and fellowships.

# Ensuring Affordability: Financial Aid Levels

**UMTC Baccalaureate Enrollment: 28,612 Students**

<i>Aid Type</i>	<i>Percent of Students</i>	<i>Dollars per Student</i>
<b>Loans</b> (Students and Parents)	<b>54.4%</b>	<b>\$8,565</b>
Agency Grants	11.1%	\$2,025
Federal Grants	20.2%	\$3,407
State Grants	21.7%	\$3,628
UM Scholarships	36.0%	\$4,163
<b>Grant/Scholarship Aid</b> (All Sources)	<b>48.0%</b>	<b>\$6,650</b>
<b>Financial Aid</b> (All Types)	<b>72.3%</b>	<b>\$10,869</b>

## Financing the Future: Key Conclusions

- **The U is a “good buy”** and the same great investment it’s always been.
  - **Tuition is an essential part** of the U’s budget, and should remain so.
  - **Tuition is tied tightly to state funding levels**, which are flat or declining nationally.
  - **The U works hard to ensure affordability**, reduce costs, and improve productivity.
  - **Students can also help manage the cost** of higher education through timely graduation.
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# Financing the Future: Looking Ahead

## Key Policy Questions:

- What is the essential role of this revenue stream in support of the University's mission?
- What are the historic trends and future projections for this revenue stream at the University, and how does that compare with our peers?
- What actions must be taken to develop this revenue stream and make it more productive?
- Does this revenue source support our strategic plan and goal at an appropriate level?
- **What will it take to finance the future of the University, and how can we achieve it?**

**Our goal is a consistent and principled approach to developing each of our revenue streams.**



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