

# Annual Operating Budget

## Fiscal Year 2008-09

President Robert H. Bruininks

June 13, 2008



UNIVERSITY OF MINNESOTA

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

# Annual Operating Budget: Two-Year Cycle

*Reviewed May 2007;  
Approved June 2007*

*Reviewed May 2008;  
Approve Today*

**Fiscal Year 2007-08**  
President's  
Operating Budget Plan

**Fiscal Year 2008-09**  
President's  
Operating Budget Plan

**Fiscal Year 2008-09**  
Preliminary Financial Plan



## Annual Operating Budget: Biennial Request and Outcomes

|                            | <u>FY2007-08*</u>   | <u>FY2008-09*</u>     |
|----------------------------|---------------------|-----------------------|
| Request                    | \$58,900,000        | \$64,500,000          |
| Actual End Session 07      | \$67,447,000        | \$16,640,000          |
| <b>Original Difference</b> | <b>\$ 8,547,000</b> | <b>(\$47,860,000)</b> |
| 08 Budget Agreement Cut    | (\$ 6,150,000)      | (\$ 6,150,000)        |
| <b>Revised Difference</b>  | <b>\$ 2,397,000</b> | <b>(\$54,010,000)</b> |

\* Excludes \$25M one-time U/Mayo Partnership funds and \$5.2M in new 2008-session restricted special appropriations.

# Annual Operating Budget: Updated Principles

- *Manage new \$12.3M state-imposed reduction through internal reallocation and investment delays.*
- *Address the additional \$5M state-imposed 2010-11 base-budget reduction now.*
- *Reduce planned tuition increase to 7.25% for undergraduate students.*
- Allocate required funds for Founders Free Tuition Program and year two of Minnesota Resident Scholarship.\*
- Honor commitment to the 3.25% general compensation increase.
- Advance academic strategic positioning priorities.
- Meet legal and contractual requirements.
- Stress improvements in cost containment and productivity.
- Leverage recurring central resources with unit-level resources to maximize overall investment.

*\*This is the middle-income scholarship approved in FY2007-08.*

## Annual Operating Budget: FY2008 Adjustment

How will the University manage the FY2008 onetime state budget agreement reduction of \$6,150,000?

- Reduce U/Mayo Partnership funds by \$3,000,000
- Access \$3,150,000 in central reserves

This approach is fiscally responsible and in accordance with our updated principles.



## Annual Operating Budget: FY2008-09 Resources With Reduction

### Resources

New State Appropriations \$10.5M

Student Tuition and U Fee \$36.3M

Other Resources/Carry Forward \$17.8M

Uncommitted FY2008 Appropriation \$4.8M

Unobligated Carry-Forward \$7.1M

Other Institutional Revenues \$5.9M

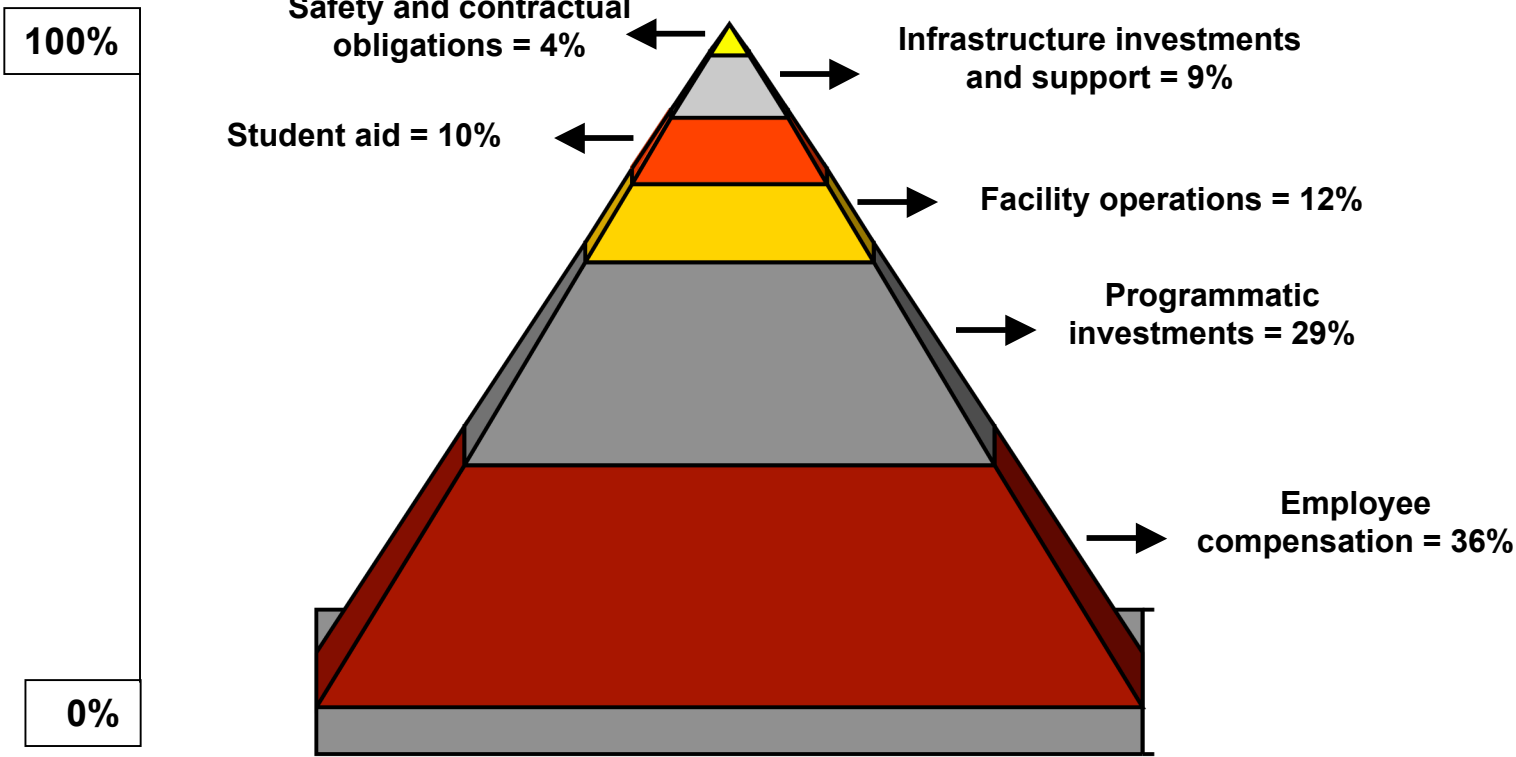
University Internal Reallocations \$13.3M

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**Total Resources \$ 77.9M**

**Structural Balance Into FY2010 \$ 3.2M**

# FY2009 Investment Framework: \$77.8 M



## FY2009 Programmatic Investments: \$22.9M

- Faculty, Staff, and Student Recruitment: \$5.7M  
(includes University-wide chairs and setup costs)
- Educational Priorities: \$4.2M
- Core Academic Support: \$8.1M
- Interdisciplinary Initiatives: \$4.9M





# FY2008-09 Tuition Plan

Tuition and University Fee – MN Resident – Family Income Less \$150,000

|                              | <u>A</u><br>08<br>Tuition &<br><u>U Fee</u> | <u>B</u><br>09<br>7.25% Increase<br><u>Over 08</u> | <u>C</u><br>09<br>Tuition &<br><u>U Fee</u> | <u>D</u><br>09<br>Resident<br><u>Scholarship*</u> | <u>E</u><br>Net Tuition<br>& U Fee |
|------------------------------|---|--|---|---|------------------------------------|
| Undergraduate<br>Twin Cities | \$8,950                                     | + \$650  | \$9,600                                     | - \$224   | \$9,376                            |
| Crookston                    | \$7,448                                     | + \$540  | \$7,988                                     | - \$186   | \$7,802                            |
| Duluth                       | \$8,700                                     | + \$630  | \$9,330                                     | - \$218   | \$9,112                            |
| Morris                       | \$8,700                                     | + \$630  | \$9,330                                     | - \$218   | \$9,112                            |

*\*Year two of a two-year scholarship designed to limit the tuition increase for resident undergraduate students with family incomes below \$150,000.*

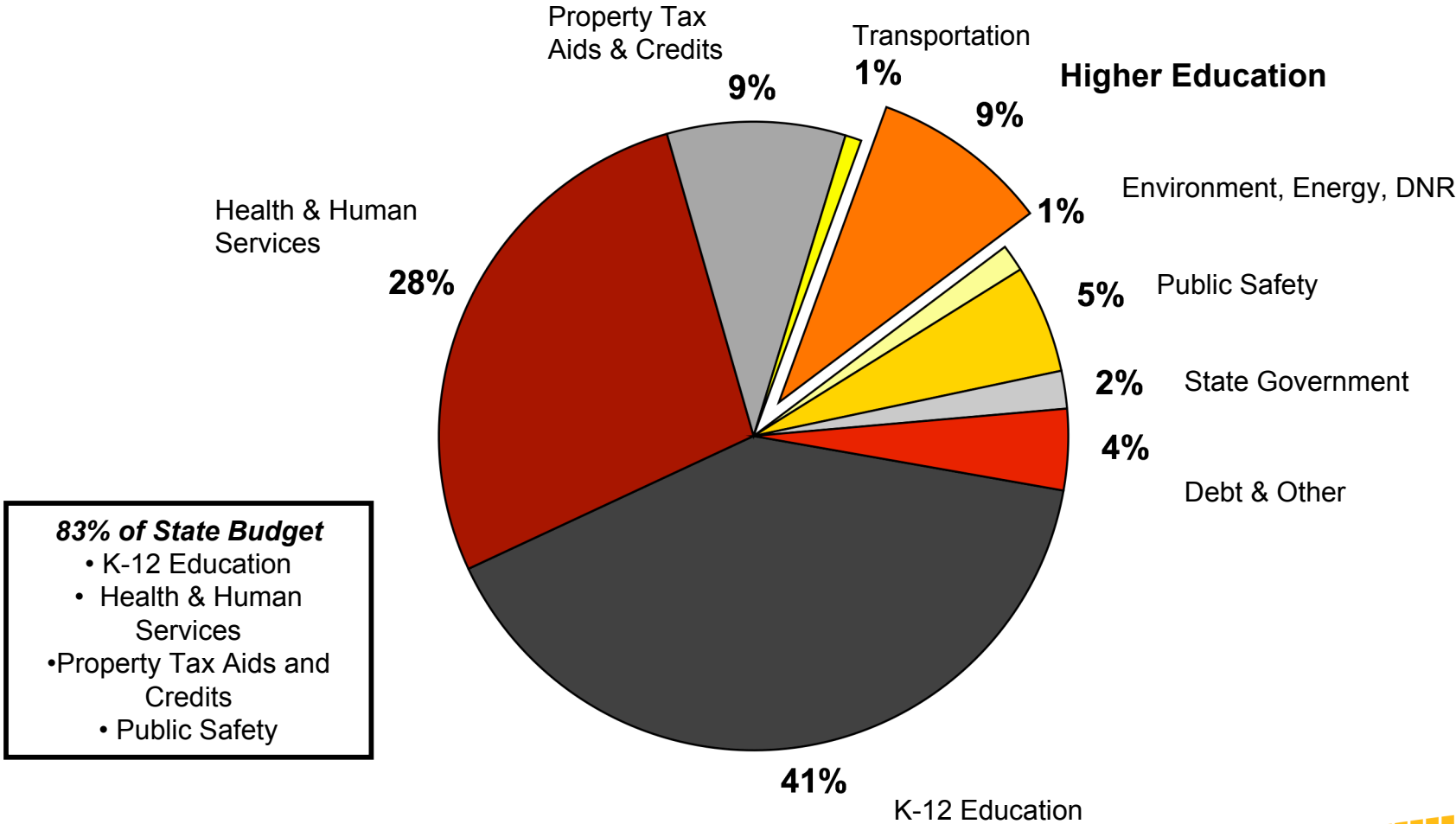
## Two-Year Undergraduate Tuition Increase by Campus, 2007-08

| Family income level,<br>by campus     | Percent increase,<br>cumulative | Average increase,<br>annual |
|---------------------------------------|---------------------------------|-----------------------------|
| <i>Family income less than \$150K</i> |                                 |                             |
| <b>UMTC</b>                           | 9.5%                            | 4.8%                        |
| <b>UMC</b>                            | 8.4%                            | 4.2%                        |
| <b>UMD</b>                            | 6.2%                            | 3.1%                        |
| <b>UMM</b>                            | -6.0%                           | -3.0%                       |
| <i>Family income more than \$150K</i> |                                 |                             |
| <b>UMTC</b>                           | 12.1%                           | 6.1%                        |
| <b>UMC</b>                            | 10.9%                           | 5.5%                        |
| <b>UMD</b>                            | 8.8%                            | 4.4%                        |
| <b>UMM</b>                            | -3.8%                           | -1.9%                       |

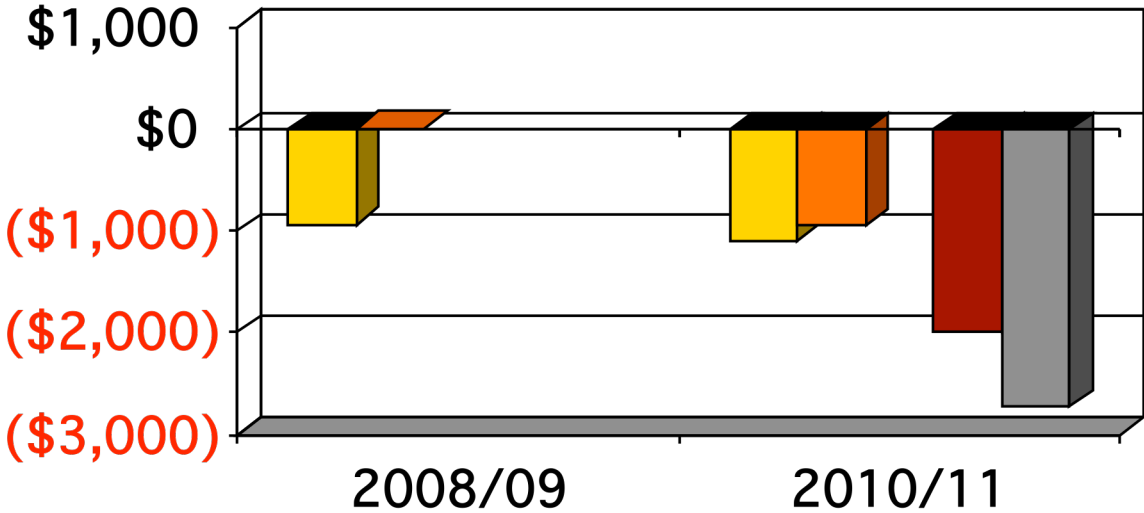
## Commitment to Affordable Education

1. Continue University strategies to improve affordability.
  - **\$200M in scholarship and grant assistance, including:**
    - ✓ *Founders Free Tuition Program*
    - ✓ *Promise for Tomorrow scholarship drive*
    - ✓ *Graduate and professional student support*
  - **\$200M in student payroll**
2. Maintain our commitment to the two-year, temporary, Minnesota Resident Scholarship for resident undergraduate students with family incomes below \$150,000.
3. Encourage students to take advantage of the tuition reforms passed in 2007.

# Outlook: State of Minnesota General Fund Budget, 2007-08



# Outlook: State of Minnesota Financial Context, FY2008-09 and FY2010-11



- Projected Balance Feb. 2008 Forecast
- Actual Balance May 2008 End Session
- Projected Balance 2010/2011 @ 2.0% Inflation
- Project Balance 2010/2011 @ 3.3% Inflation

# Financing the Future: Ongoing Challenges

- Increase and stabilize state support to advance the University's strengths and comparative advantages.
  - *Build an enduring and mutually beneficial partnership with the state.*
  - *Establish a 2010-11 biennial request that is clear, concise, and compelling.*
- Develop a tuition strategy that provides a reasonable and consistent level of support for the University's core educational costs.
  - *Keep tuition increases reasonable with the help of strong state funding.*
- 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.**
  - *Expand initiatives to reduce costs and enhance service and productivity.*
  - *Redeploy resources to meet our strategic priorities.*
  - *Maximize the growth and impact of existing University assets.*

# Financing the Future: Reducing Costs and Improving Productivity

In recent years, the University has:

- Reconfigured Extension to a regional model
- Reorganized colleges to create three new colleges
- Consolidated departments and programs
- Self-funded and launched new enterprise systems
- Restructured the University health plan
- Reformed our construction management practices
- Reduced spending on energy despite rising energy costs
- And much more

The result? Tens of millions of dollars saved – but we must do more!



# Resolution: FY2008-09 Operating Budget

**WHEREAS**, the University of Minnesota as the state's public, land grant university is charged with the responsibility to pursue knowledge and to help apply that knowledge through research and discovery, teaching and learning, and outreach and public service; and

**WHEREAS**, the State of Minnesota, through its legislative and executive branches, has appropriated \$721,469,000 in state general fund monies for fiscal year 2008-09 to the University of Minnesota, which represents an increase of \$10,886,300 in the Operations & Maintenance appropriation and a decrease of \$26,396,300 in the State Special appropriations compared with the prior year's base level funding, for the pursuit of its mission and in support of our goals and objectives; and

**WHEREAS**, the University of Minnesota is committed to achieving standards of national and international excellence; and

**WHEREAS**, the future of the University is premised on partnerships within the University community of faculty, staff, and students, with the State of Minnesota, other educational institutions, business and industry, University alumni, local communities, and the citizens of Minnesota; and

**WHEREAS**, the University of Minnesota must be positioned to maintain desired undergraduate enrollment levels and enrollment profiles on each campus as the number of high school graduates declines over the next 5-10 years in the reciprocity states from which the University recruits most of its nonresident students,

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Regents hereby approves the University of Minnesota Fiscal Year 2008-09 Operating Budget as follows:

The annual revenue and expenditure plan for current, non-sponsored funds and projected expenditures for sponsored funds for fiscal year 2008-09.

The Fiscal Year 2008-09 Operating Budget approved by the Board of Regents includes the following attachments, which are included in the President's Recommended Fiscal Year 2008-09 Operating Budget:

Attachment(s)



# Annual Operating Budget

## Fiscal Year 2008-09



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