

UNIVERSITY OF MINNESOTA

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

# Budget Goals and Context

*In order to:*

- **Balance the budget while addressing increased costs** and needed investments for the next two years.
- **Transition to a significantly lower level of state revenue** in the 2012-2013 biennium.
- **Maintain the core strengths, quality and productivity** of the University.
- **Strengthen the U's commitment to access and affordability**, especially for low- and middle-income Minnesota students.

*We must:*

- **Recognize the scope of proposed state budget reductions** and the actions required to achieve our goals during the next four years.
- **Understand cost drivers and take significant steps to reduce costs** in the first year of the biennium.
- **Strategically leverage available funds** from the American Recovery and Reinvestment Act for specified purposes, including tuition mitigation, facilities modernization and renovation, and education, during this transition period.

# Budget Principles and Strategies

- **Maintain the U's momentum, quality and competitiveness**
  - Use non-recurring funds for investments that reshape the U for a future with less state funding
- **Compensate, support & retain talented faculty & staff**
  - Work to keep people employed without increasing recurring obligations
- **Increase productivity by reducing costs & increasing revenues**
  - Use nonrecurring funds to support initiatives that will result in enhanced revenue generation in the future
  - Save recurring costs through nonrecurring investment
- **Improve financial access & affordability for all students**
  - Protect students through scholarships to temporarily hold down tuition costs and total cost of attendance
- **Use all available tools to address long- & short-term challenges**
  - Provide bridging funds where recurring funds take time to implement
  - Use stimulus funds to enhance or create new value from existing assets

# FY2010-11 Budget Challenge and Beyond

## *2010-2011 biennial cut*

\$75.5M recurring cut (proposed)  
+ \$2.6M recurring cut (passed in 2008 session)  
**= \$78.1M recurring cut, or \$156.2M total**

## *Actual year-one challenge*

\$78.1M cut in year one (proposed)  
+ \$55.8M in increased required spending  
**= \$133.9M budget challenge in 2009-10 alone**

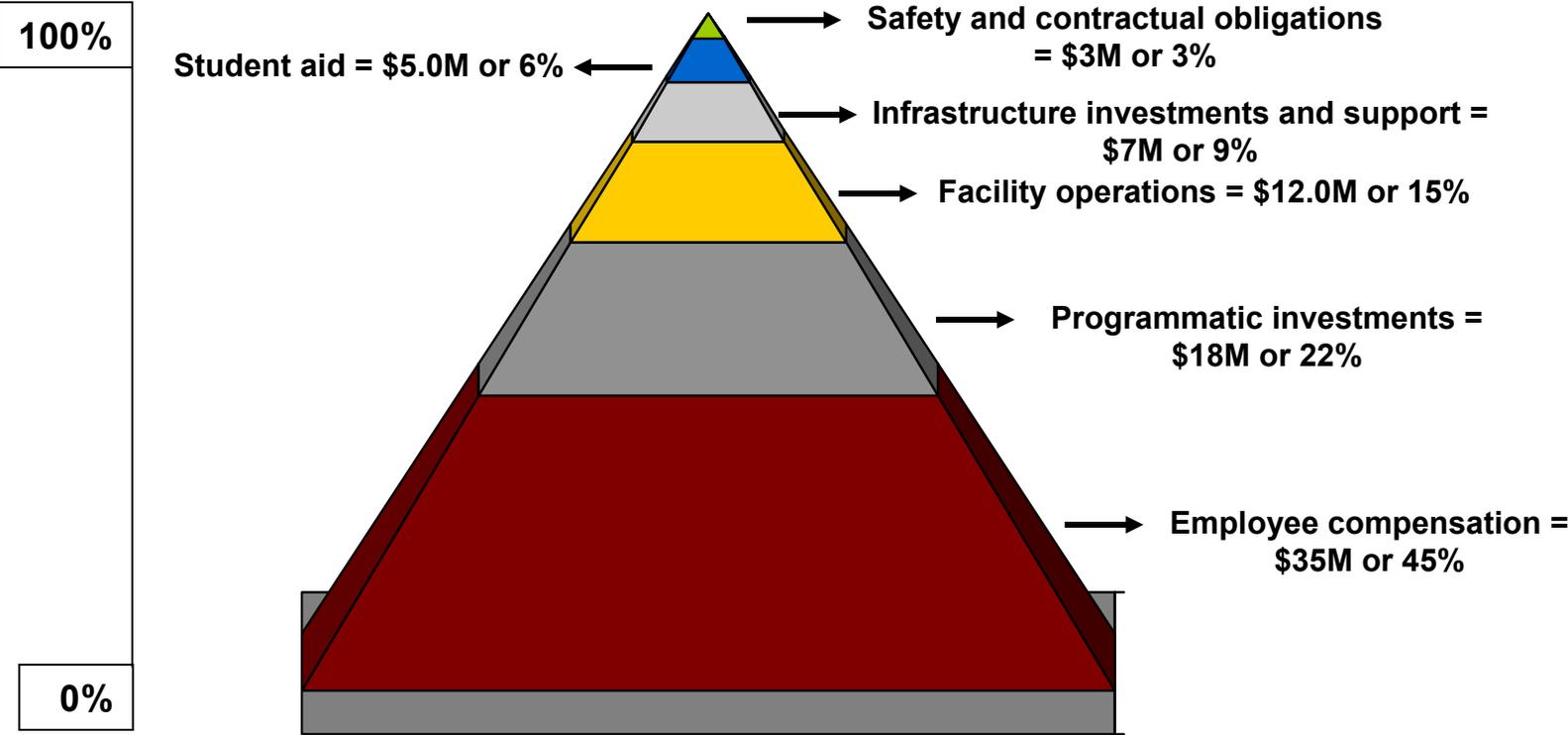
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## *Potential additional year-one challenge*

\$133.9M budget challenge in 2009-10  
+\$36.0M additional cut in year one  
**= \$169.9M budget challenge in 2009-10 alone**

**Budget gap in 2010-11 depends on 2012-13 tail**  
(Recurring versus non-recurring)

# Historical Annual Incremental Investment Framework: \$80M



# Financial Obligations and Costs: Detailed Budget Planning Framework

## Framework For Budget Instructions

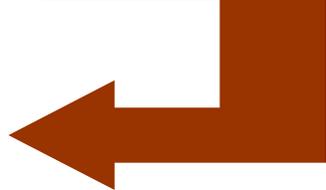
	FY10	FY11	
<b>Investments</b>			
Compensation	20,800	22,000	<u>0%/2.0% Pool</u>
Research Initiative	0	0	
Mid Income Scholarship	8,000	0	
Facility Operations	13,600	12,900	
Founders	4,400	4,000	
Contractual/Safety/Other Strategic Init.	9,050	21,200	
<b>Total Investments</b>	<b>55,850</b>	<b>60,100</b>	

# Projected Budget Challenge and Solution

This scenario assumes governor's recommendation.

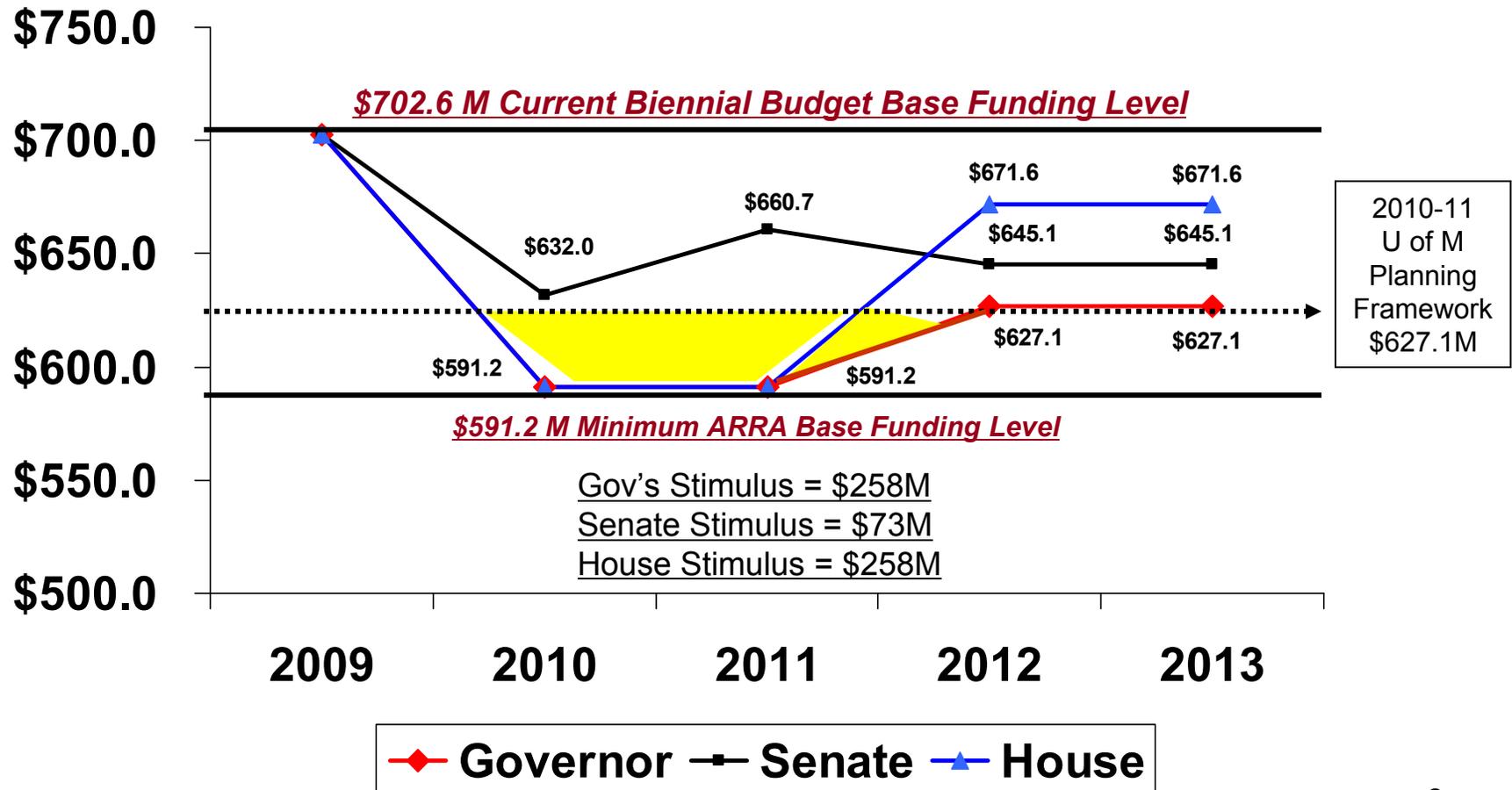
<u>Budget Challenge</u>	<u>FY10</u>	<u>FY11</u>
State Appropriation Reduction		
May 2008 Cut	(\$ 2.6)	\$ 0.0
January 2009 Govs Rec.	(\$ 75.5)	\$ 0.0
March 2009 Govs Rec.	(\$ 36.0)	\$ 0.0
<b>Total Change from Base</b>	<b>(\$114.1)</b>	<b>\$ 0.0</b>
Financial Obligations/Costs	\$ 55.8	\$60.1
Grand Total	\$169.9	\$60.1
<u>Budget Solution</u>		
Tuition Revenue	\$ 44.5	\$40.2
University Budget/Reductions	\$ 89.4	\$19.9
Total Solution	\$133.9	\$19.9
<b>Onetime Budget Challenge</b>	<b>\$ 36.0*</b>	<b>\$ 0.0</b>

**State Fiscal Stabilization  
Fund Purposes**  
 Education & general expenditures  
 Mitigating tuition & fees for  
 in-state students  
 Facilities for instruction,  
 research, housing

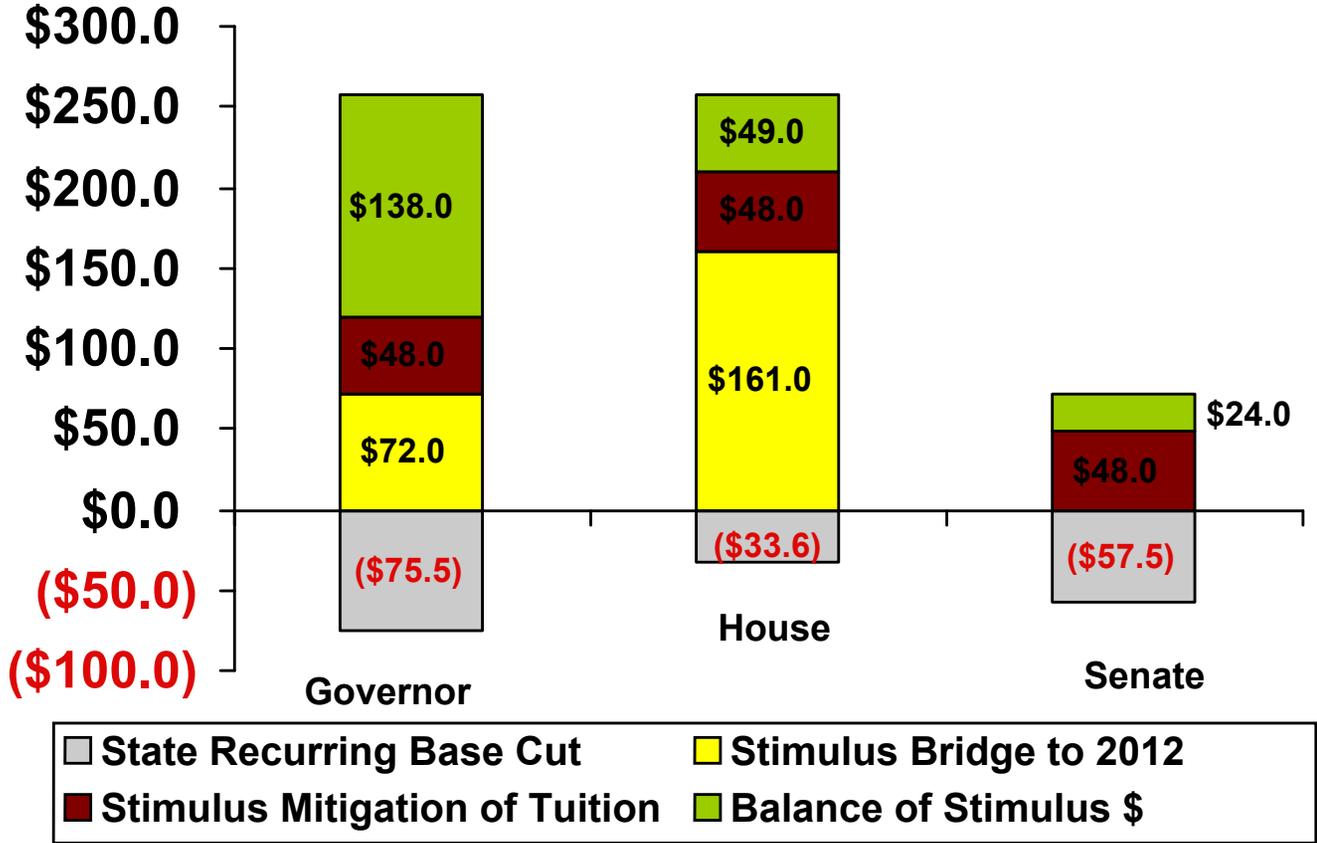


\*Note: Governor's 2012-13 tail budget treats \$36.0M 2010-11 cut as one-time reduction.

# General Fund Biennial Budget Appropriations



# Biennial Budget Proposal Comparisons



Note: \$48M stimulus mitigation of tuition is a preliminary estimate and subject to change.

# Budget Planning Strategy

<i>Budget Challenge</i>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>
<b>Beginning Base Appropriation</b>	<b>\$705.3</b>	<b>\$591.2</b>	<b>\$591.2</b>	<b>\$627.1</b>
State Appropriation Change				
May 2008 Cut	(\$2.6)	\$0.0	\$0.0	\$0.0
January 2009 Govs Rec	(\$75.5)	\$0.0	\$0.0	\$0.0
March 2009 Govs Rec	(\$36.0)	\$0.0	\$36.0	\$0.0
<b>Total Change from Base</b>	<b>(\$114.1)</b>	<b>\$0.0</b>	<b>\$36.0</b>	<b>\$0.0</b>
<b>Net Biennial Appropriation</b>	<b>\$591.2</b>	<b>\$591.2</b>	<b>\$627.1</b>	<b>\$627.1</b>
New Financial Obligations/Costs	\$55.8	\$60.1	\$80.0	\$80.0
Grand Total	\$169.9	\$60.1	\$90.0	\$90.0
<i>Budget Solution</i>				
Tuition Revenue	\$44.5	\$40.2	\$32.0	\$33.4
University Budget/Reductions	\$89.4	\$19.9	\$20.0	\$20.0
Total Solution	\$133.9	\$60.1	\$52.0	\$53.4
<b>Remaining Budget Gap</b>	<b>(\$ 36.0)</b>	<b>\$0.0</b>	<b>(\$28.0)</b>	<b>(\$26.6)</b>

# Commitment to Student Financial Support

The University of Minnesota has made student financial support a top priority:

- Over the past five years, **the U has raised more than \$250M** to support new scholarships for students.
- **All low-income Minnesota undergraduates attend tuition-free** – that's 12% of all undergraduates.
- **Half of all U students receive grant or scholarship support** that discounts the cost of tuition by an **average amount of \$6,650**.
- Today, **the U is providing undergraduates \$75M in scholarships** and grants – more than the State of Minnesota and the federal government combined!

*We will continue to lead on this issue by ensuring a strong need-based component in our long-term scholarship strategy, especially for middle-income Minnesota students.*

# Middle-Income Scholarship Support

Approximately **4,200 Minnesota students** from families with an **annual income of \$40K to \$60K** will be eligible for:



- \$1,000 middle-income scholarship
- \$599 Pell/State Grant increase
- \$432 Federal stimulus funding
- \$700 Hope Tax Credit increase

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**Net reduction in tuition: -\$2,011**

- This represents the next income “tier” above those who are eligible for the current Founders Free Tuition Program – remember, **Minnesota students from families with an annual income of less than \$40K already attend tuition-free.**

# Middle-Income Scholarship Support

Approximately **4,500 Minnesota students** from families with an **annual income of \$60K to \$100K** will be eligible for:



- \$500 middle-income scholarship
- \$432 Federal stimulus funding
- \$700 Hope Tax Credit increase

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**Net reduction in tuition: -\$912**

- In total, **more than 60% of Minnesota resident undergraduates would actually see their tuition decrease.**
- And thanks to federal stimulus support, **the remaining Minnesota undergraduates would experience an increase of less than \$300.**

# Key Conclusions

- **Our state budget base is being cut substantially.** Even in the best-case scenario, in two years the University of Minnesota will have significantly less state support than it does today.
- **Federal stimulus funds are an essential bridge to the future.** Although these funds are temporary, they enable us to protect our core strengths and more gradually achieve required cost savings, productivity improvements, and revenue enhancements.
- **The next two years are critical.** We must work to reduce costs and improve productivity without sacrificing our strength, our quality, or the progress we've made in recent years.
- **We can maintain our commitment to affordability.** Tuition is critical to ensure sufficient operating revenue – so now is the time to substantially increase need-based financial aid for low- and middle-income Minnesota students.

*Questions?*