

President's Recommended FY2012 Provisional Operating Budget



UNIVERSITY OF MINNESOTA

Driven to DiscoverSM

Presentation to the Board of Regents

June 10, 2011

Goal and Principles

Goal: Advance the excellence, quality, productivity, and impact of the University of Minnesota while ensuring the University's long-term financial vitality and integrity.

Long-Term Budget *Planning* Principles

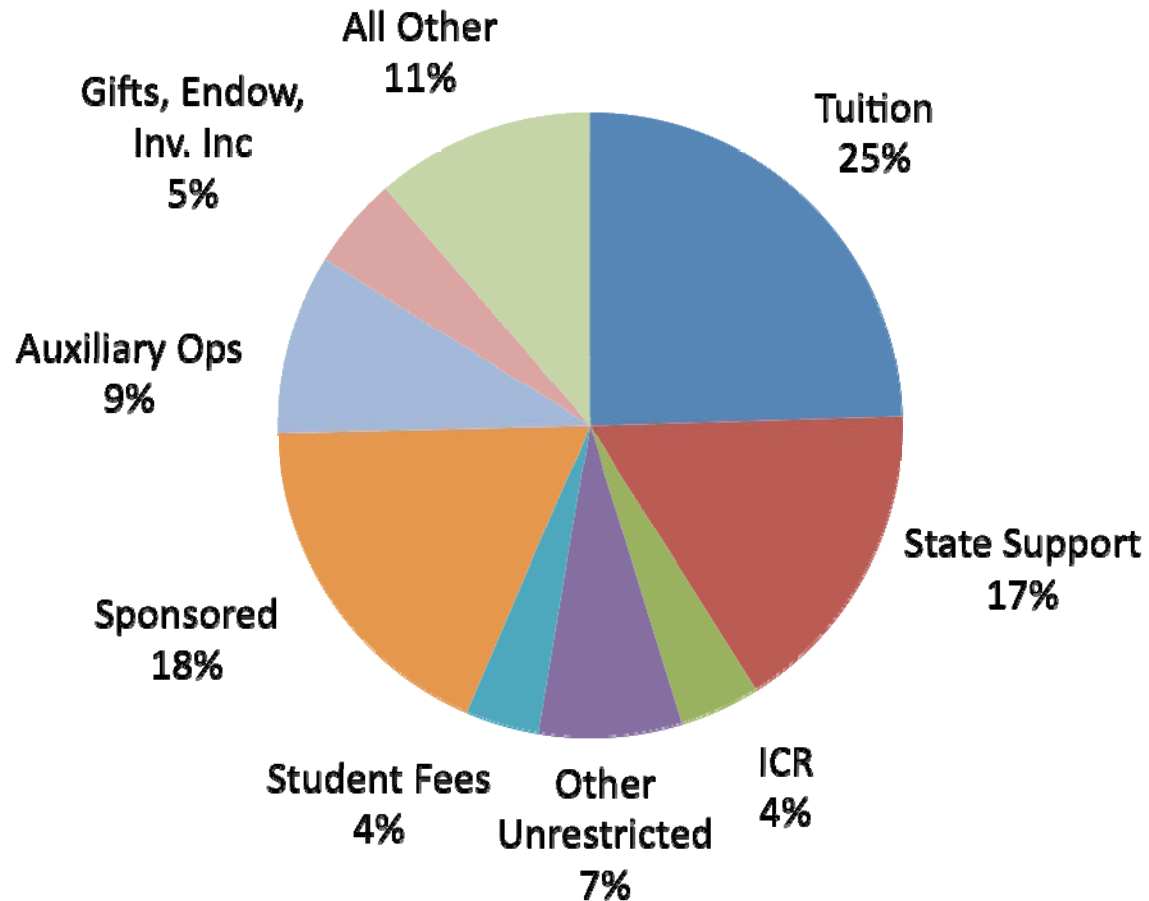
- Advance the U's quality and competitiveness through targeted and timely investment in mission-critical academic and capital priorities.
- Compensate, support, and retain talented faculty and staff.
- Improve financial access and affordability for students.
- Solve the majority of the U's budget challenges and needs through cost reductions, productivity enhancements, reduced investment, and reinvestment of existing resources.
- Stabilize and grow revenues including state, sponsored, and private support, as well as revenue generated through educational programs.

Budget *Balancing* Principles

- Apply an all-University/all-funds approach to balancing the budget.
- Continue modest investment in academic priorities and student support.
- Emphasize differential cuts, cost reductions, and reallocation over new revenue (2/3:1/3 solution).
- Minimize unplanned job losses and moderate impacts on lower-paid employees.
- Increase entrepreneurial self-support strategies for college, campus, and unit strategic priorities.

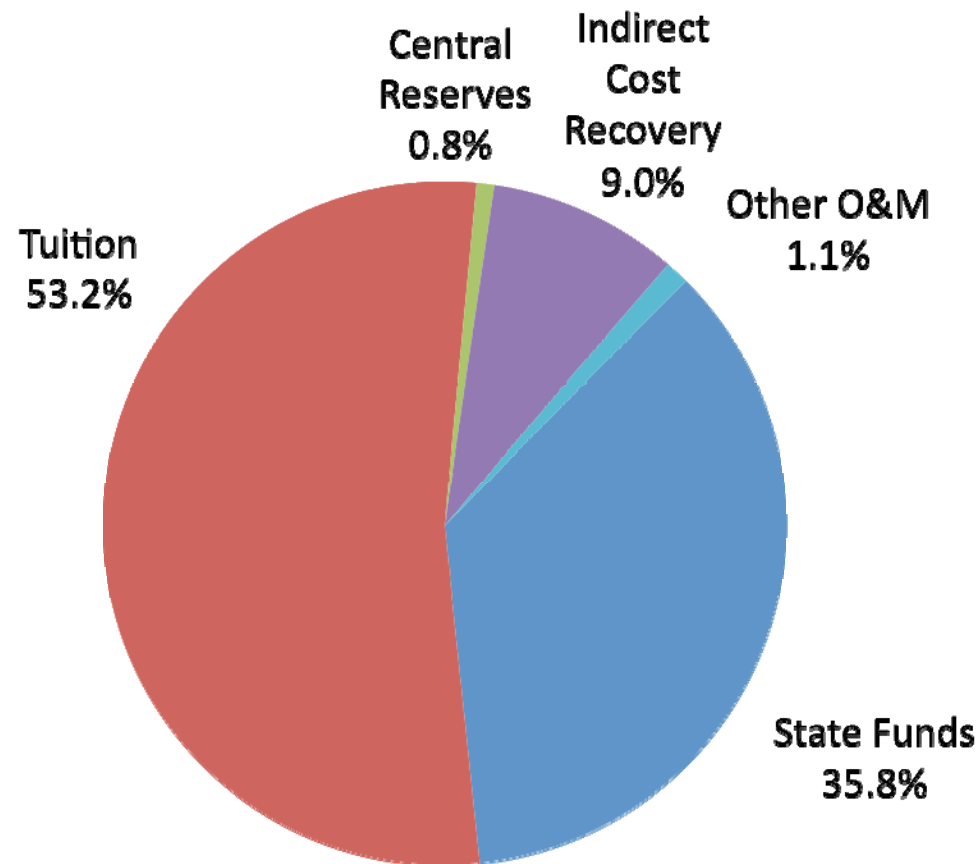
Context: University Revenues

University Revenue Sources:
All Funds FY12 (excluding ISOs): \$3.3B



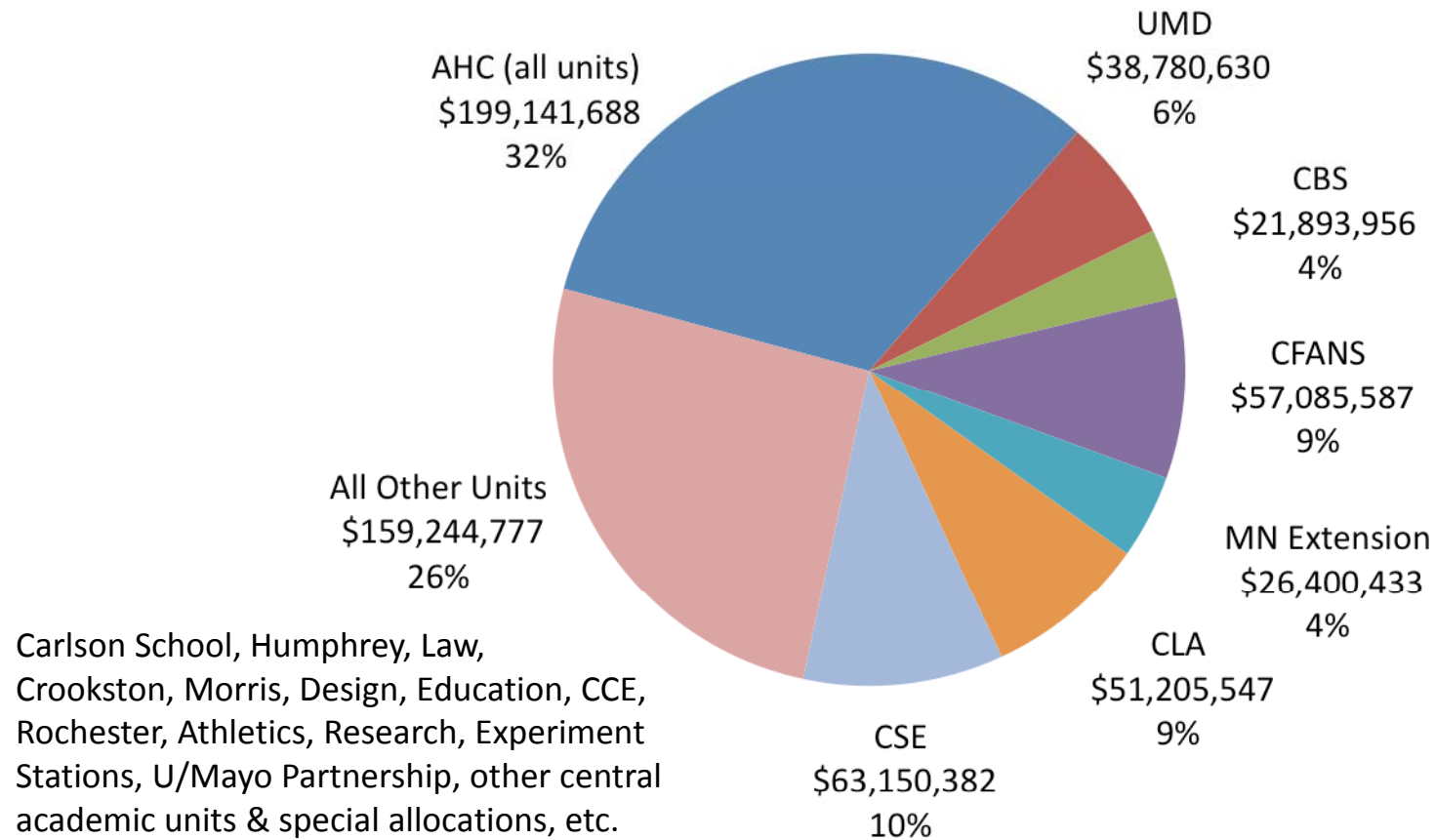
Context: Total Fungible Revenues

Centrally Attributed & Distributed Revenues: FY12 Operating Budget: \$1.5B



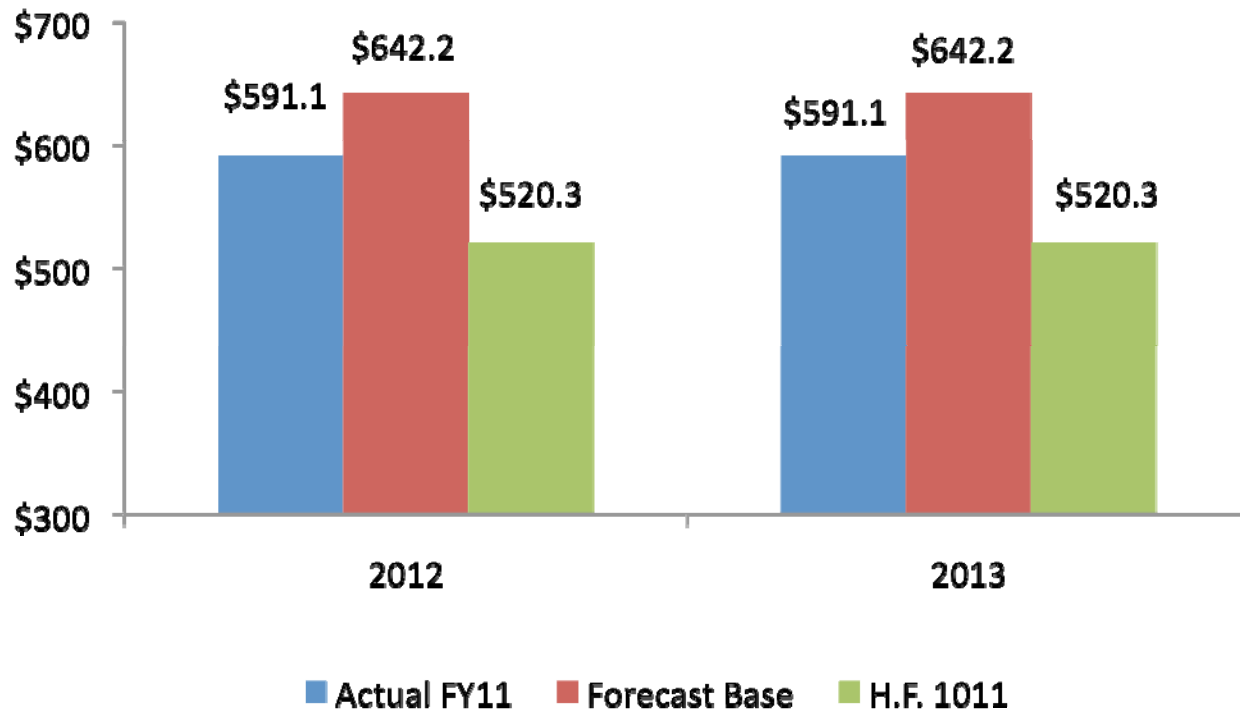
Context: Distribution of State Funds

University of Minnesota Allocation of State Appropriations, FY2011 (includes O&M, State Specials, MNCare & Cigarette Funds)



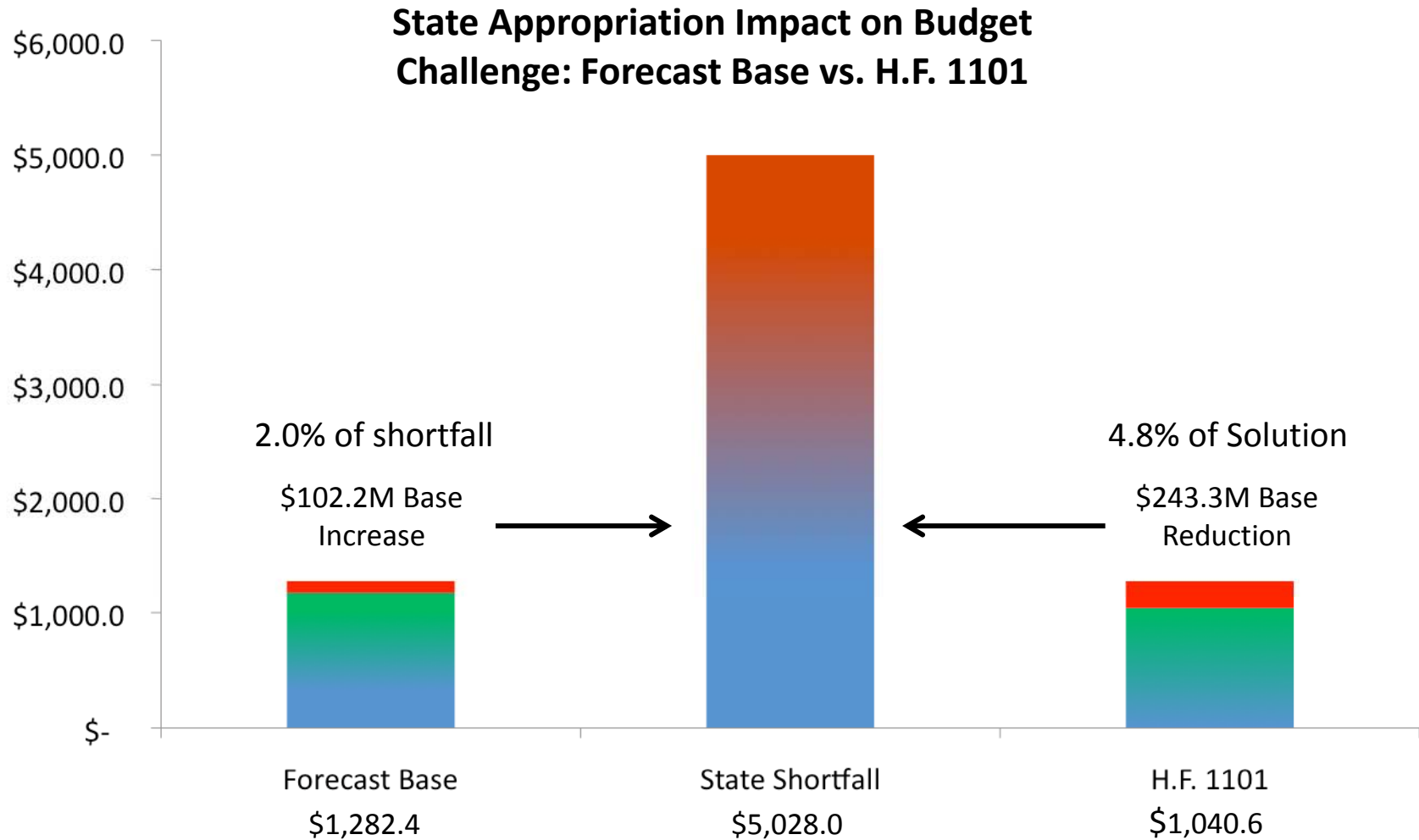
Context: Provisional Assumptions

FY12 & FY13 Provisional Assumptions General Fund Appropriations*



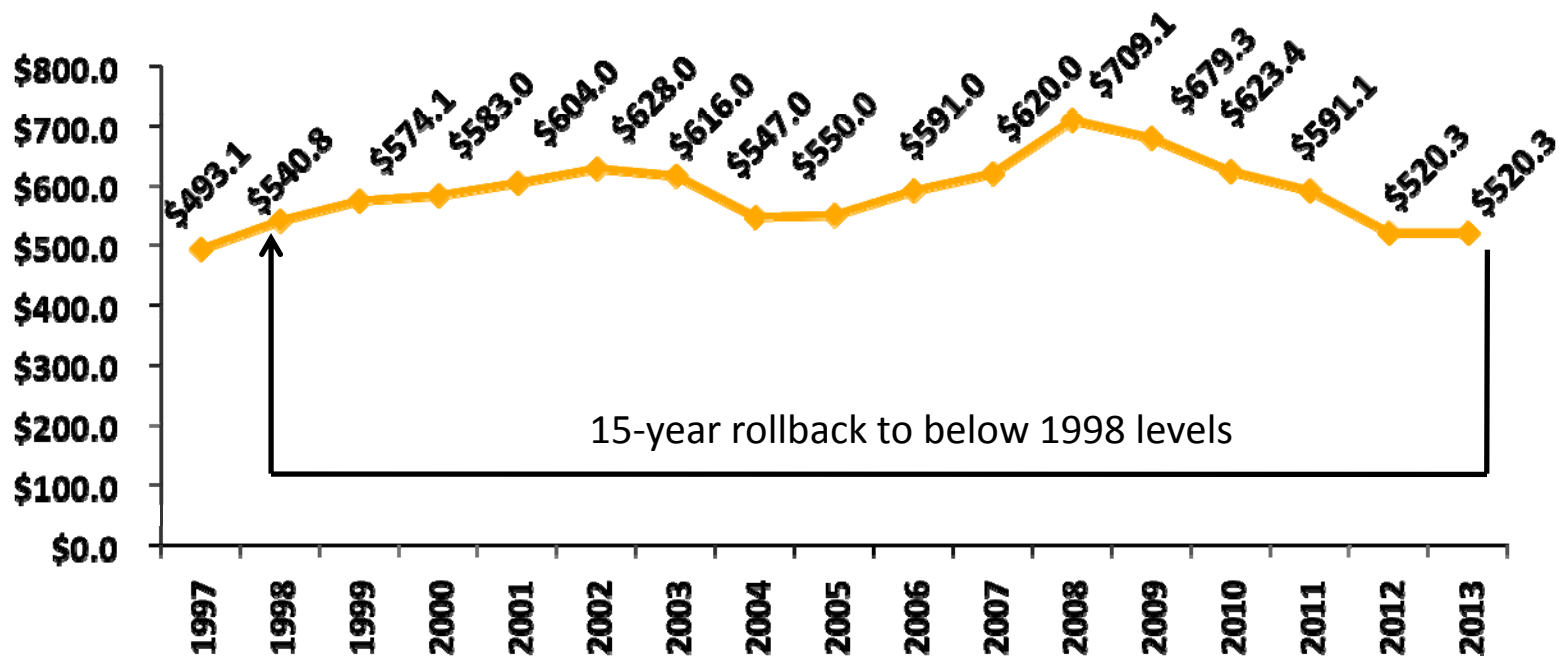
**Excludes Cigarette Funds, MnCare and State Specials*

Context: Impact on State Shortfall



Context: 15-Year Rollback

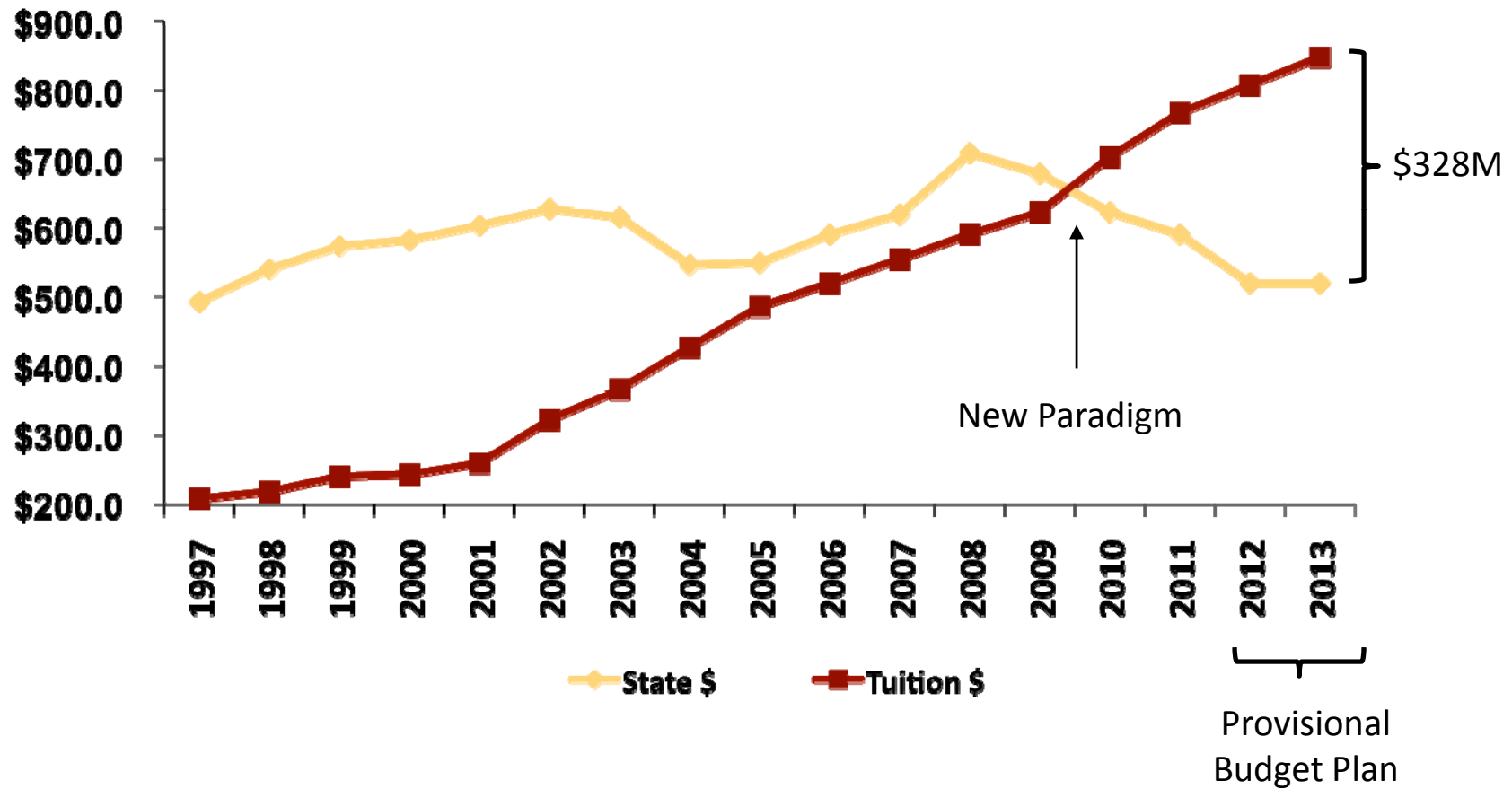
O&M/State Specials Trends
State Appropriations, 1997 to 2013*



*Excludes Cigarette Funds, MnCare and State Specials

Context: State Support Versus Tuition

Trends in Tuition & State Funds, 1997 to 2013*



*Excludes Cigarette Funds, MnCare and State Specials

Budget: Defining the Challenge

Part 1: U's Projected Costs

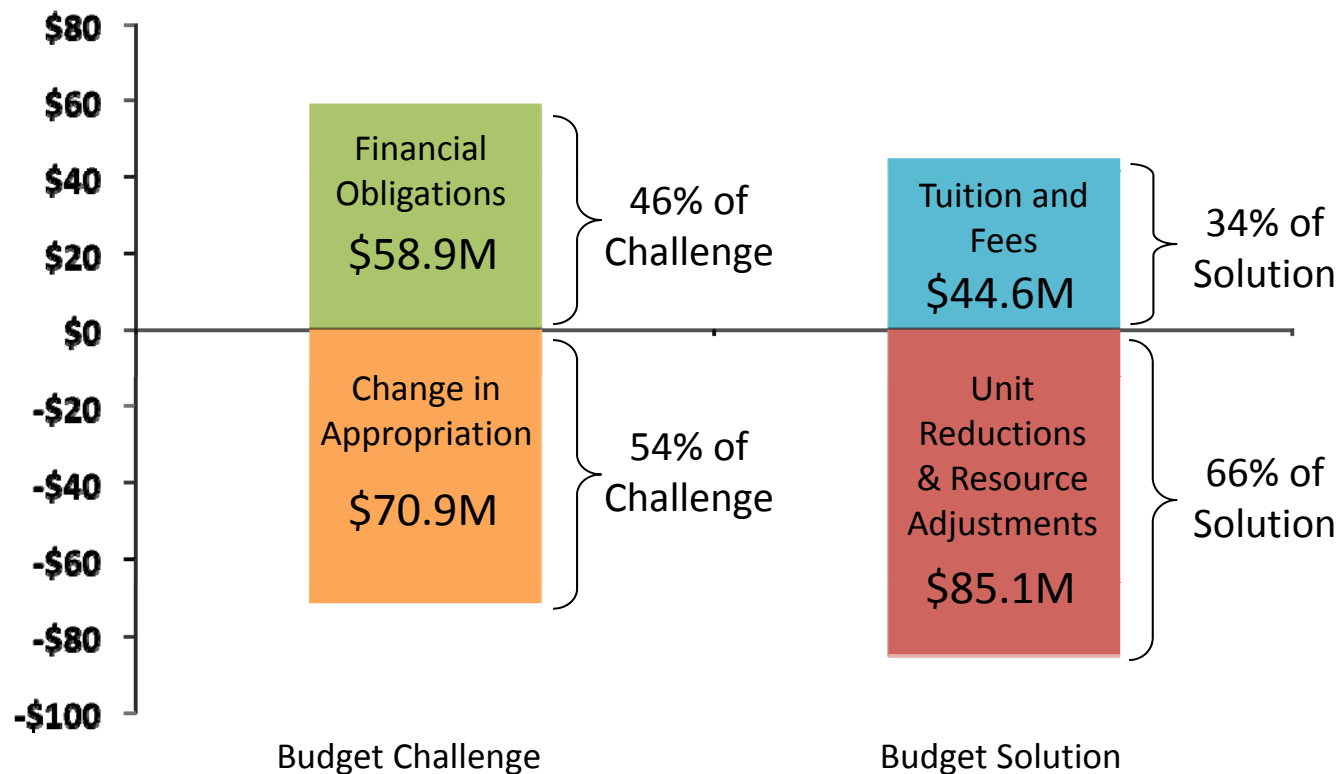
Part 2: State Appropriation

Total Budget Challenge

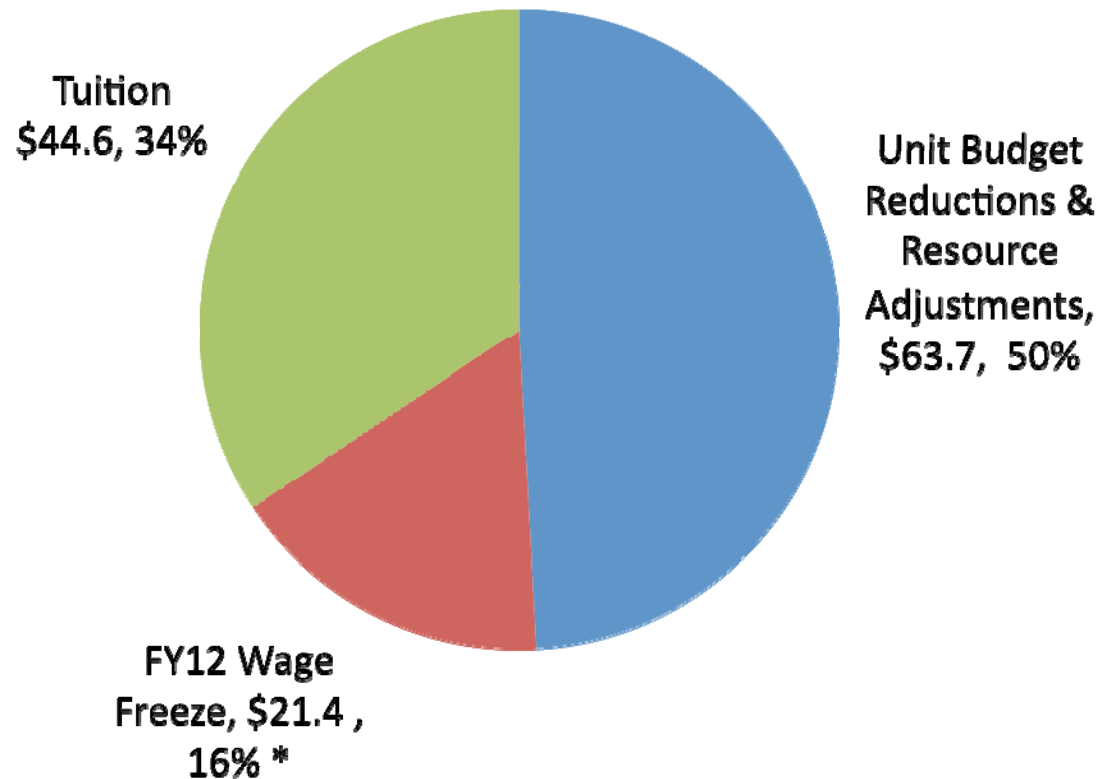
Part 3: Balancing the Budget

Budget: Challenge and Solution

University of Minnesota FY2012 \$129.7M Budget Challenge



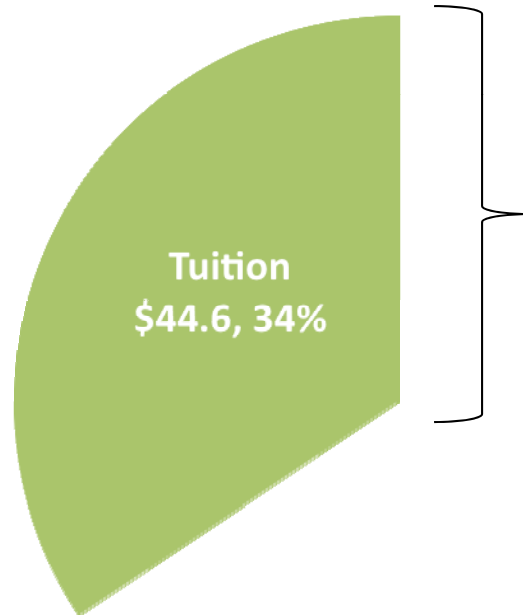
University's FY2012 \$127.9M Budget Balancing Strategy



**Wage freeze subject to collective bargaining.*

Budget: Tuition Strategy

University's FY2012 \$127.9M Budget Balancing Strategy



Projected tuition budget based on proposed 5 percent tuition increase for undergraduates.

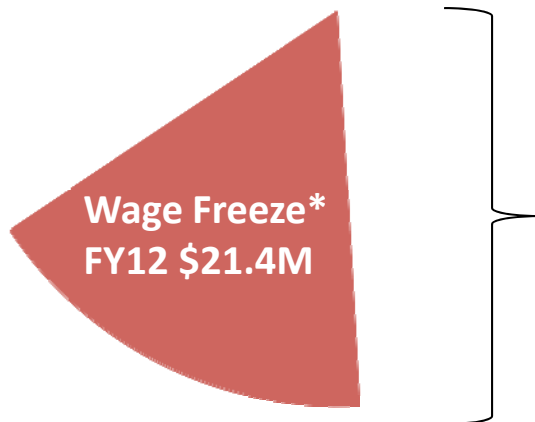
The University is maintaining its strong commitment to guaranteed need-based financial aid for Minnesota students through the University of Minnesota Promise scholarship program, which will be funded at \$30 million for 2011-12.

In 2009-10, approximately 30,000 undergraduate, graduate and professional students received grant and scholarship aid from the University of Minnesota totaling \$126 million.

When tuition and fees are considered with room and board, the cost of attendance for Twin Cities undergraduates will increase by only about 4 percent.

Budget: Compensation Planning

University's FY2012 \$127.9M Budget Balancing Strategy



Projected costs of compensation total \$37.9M assuming 2% salary adjustment and related benefit costs.

Budget recommends a wage freeze for FY12 which results in a savings of \$21.4M.

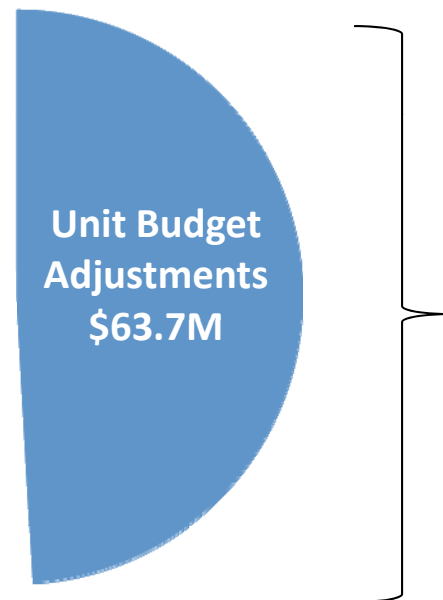
Remaining cost of \$16.5M represents actual incurred expense increase for University's benefit programs between FY09 and FY10.

We are also proposing further benefit adjustments relating to academic retirement program and UPlan medical benefits that will result in increasing savings in future fiscal years.

**Wage freeze subject to collective bargaining*

Budget: Reductions and Reallocation

University's FY2012 \$127.9M Budget Balancing Strategy



Assignment of specific reductions & resource adjustments accomplished in budget discussions with each unit.

TC non-collegiate support units cut average of 5% (\$15.9M) with a range of 2% to 55%.

TC academic units and outstate campuses cuts range from 0% to 6% (\$24.6M).

Much of impact is in reduced or eliminated positions, open positions not filled, cut-backs in general operations, reductions in travel, printing, and consultants

\$23.2M of recurring resources generated from productivity gains in academic units

Outlook: Governor Versus House Bill

University State General Fund 2012–13 Biennial Budget Comparisons*

	Biennial \$	Change from FY11	
Actual FY11 (doubled)	\$1,182.3		
Governor's Recommendation	\$1,207.2	+\$24.9M	} \$166.5M Difference
H.F. 1101	\$1,040.7	-\$141.6M	

**Excludes Cigarette Funds, MnCare and State Specials*

Financial Framework for Improved Outcome

1/3 to reduce financial burden of tuition and fee rate increases particularly on Minnesota resident undergraduates

1/3 to reduce impact of \$70.8M in state appropriation reductions on academic units

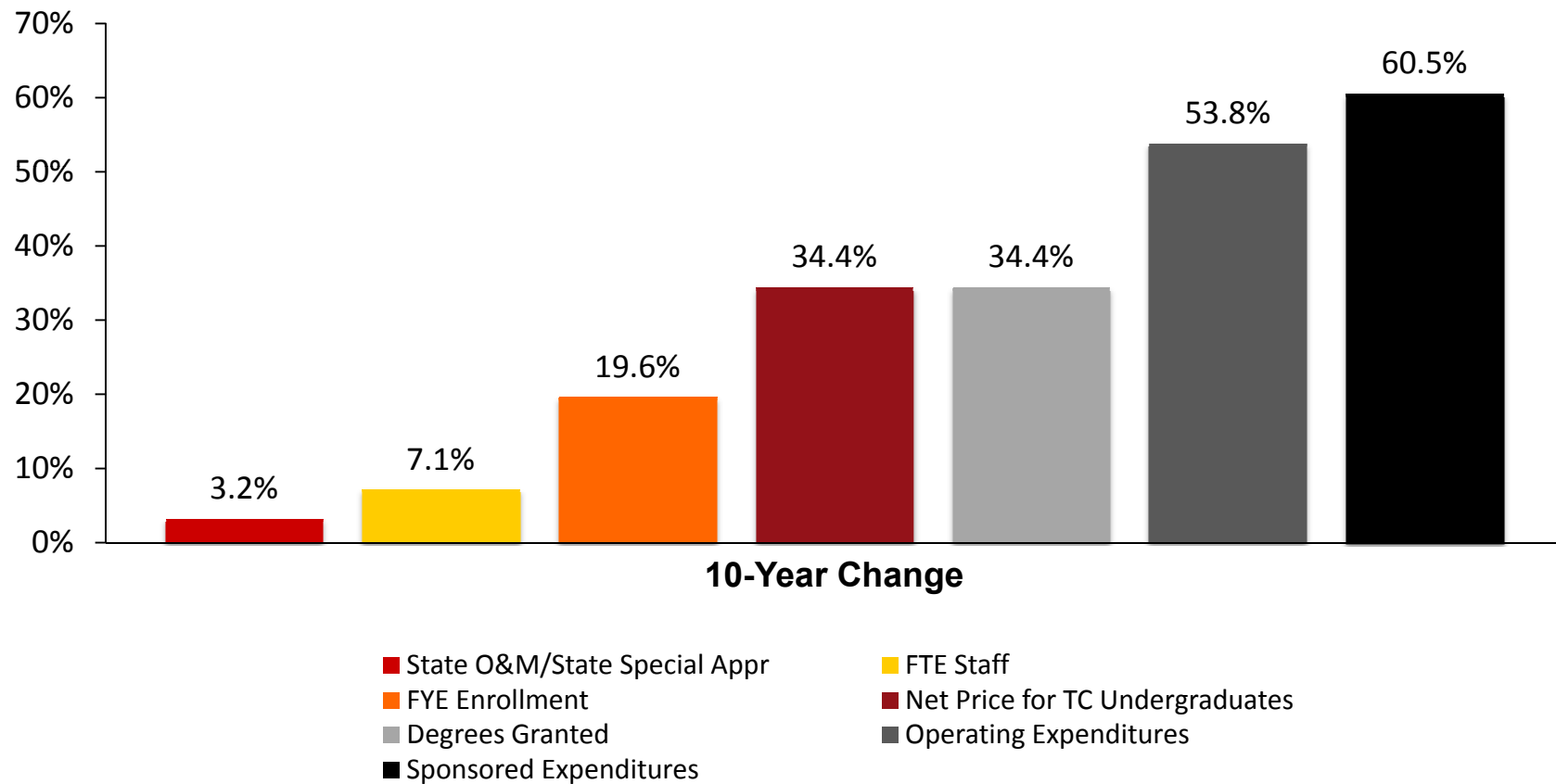
1/3 to address anticipated FY13 budget challenges and investment needs

Principles for Managing a State Government Shutdown

- **Students.** Avoid disruption to educational mission and maintain full financial aid.
- **Research.** Avoid disruption to existing research commitments and the University's ability to compete for new research funding.
- **Patient Care and Clinical Programs.** Ensure availability of health professionals and continuity of service for patients.
- **Fiscal Integrity.** Safeguard the fiscal integrity of the University, including the ability to plan for the future, fulfill commitments, and protect bond rating.
- **Faculty and Staff.** Retain and support talented faculty and staff by protecting them from undue financial burden.
- **Property, Plant, and Equipment.** Ensure the safety of the University community and the continued maintenance of University property, infrastructure, and equipment.

Progress In Lean Times

Change in Key Measures over 10-Year Period: FY2001-FY2010



Key Takeaways

- The cuts proposed by the legislature are simply too deep.
- The budget challenge we face is bigger than the state budget cut – we also face rising costs and obligatory expenses.
- We have continued our 2/3:1/3 approach to solving the University's budget challenge.
- Faculty and staff are again facing the prospect of a salary and wage freeze (subject to collective bargaining).
- Reductions to academic and support units have been targeted and differential.
- Given the magnitude of the state cuts we face, the proposed 5 percent tuition increase for undergraduates is a modest and reasonable.
- We are maintaining our strong commitment to affordable access, especially for Minnesota students with financial needs.

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