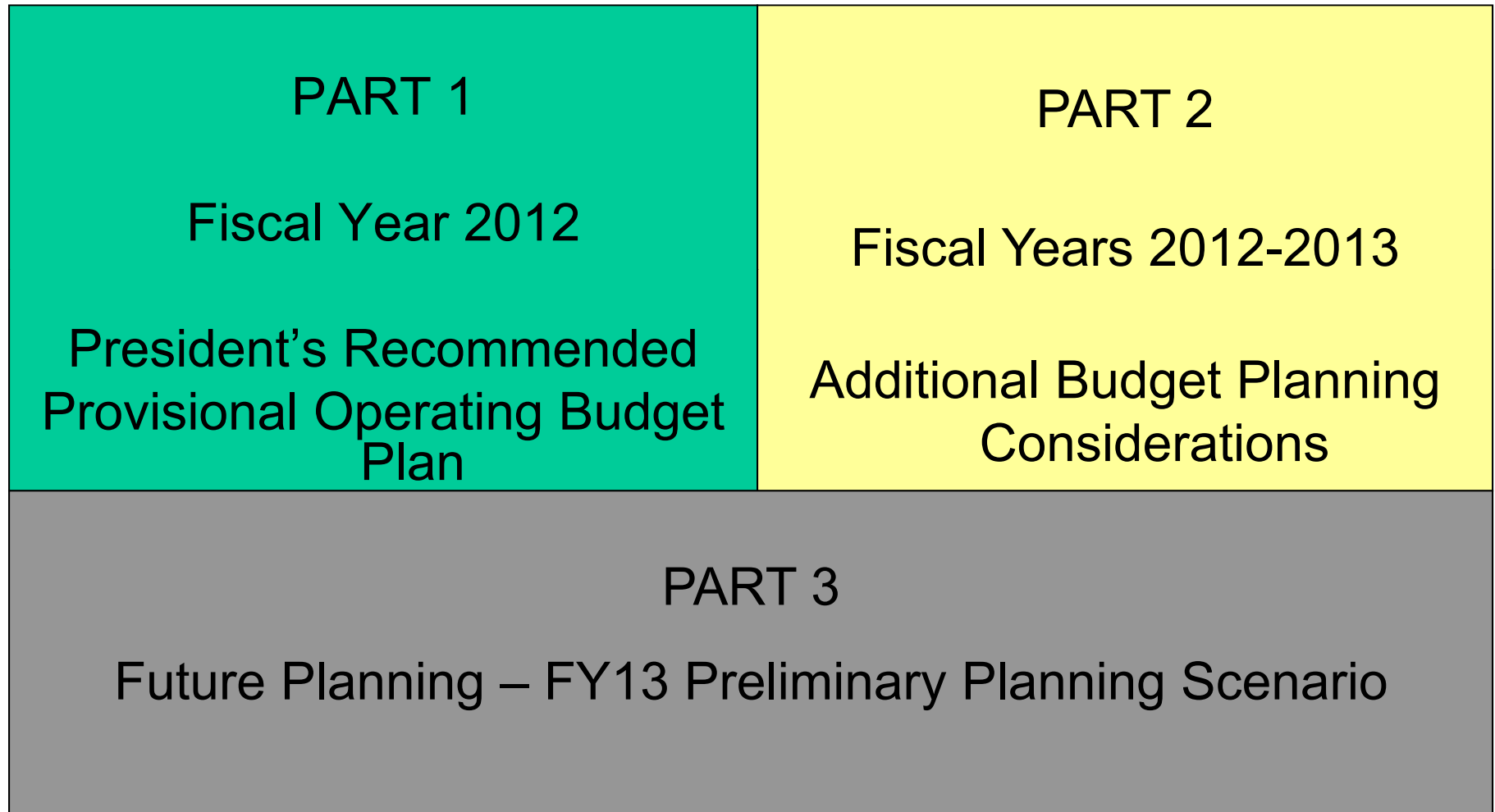


President's Recommended FY2012  
Provisional Annual Operating Budget and  
Preliminary Financial Plan FY2013

Presentation to the Board of Regents  
Finance and Operations Committee

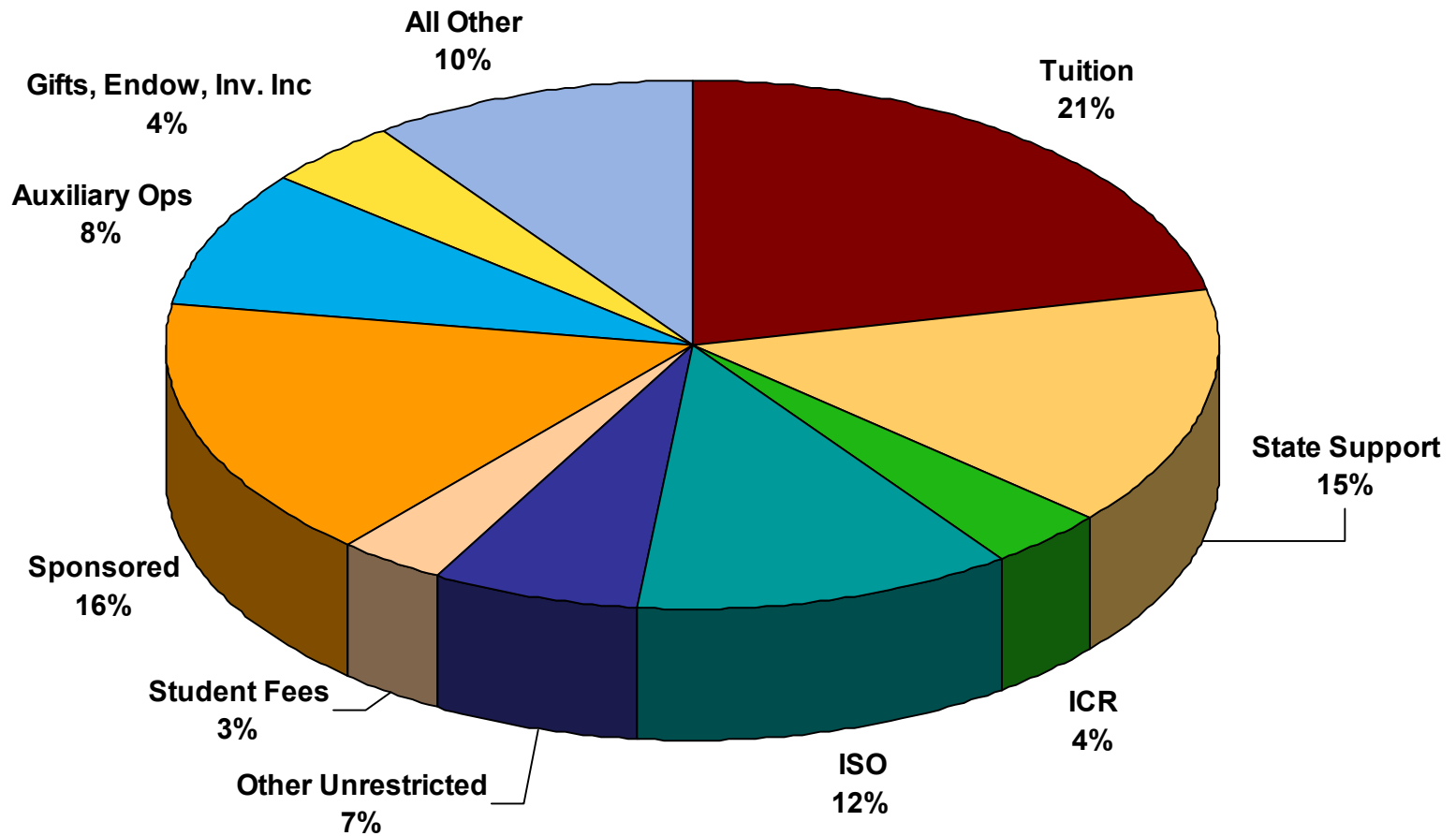
June 9, 2011

# Four Year Budget Planning – Start of Each New Biennium



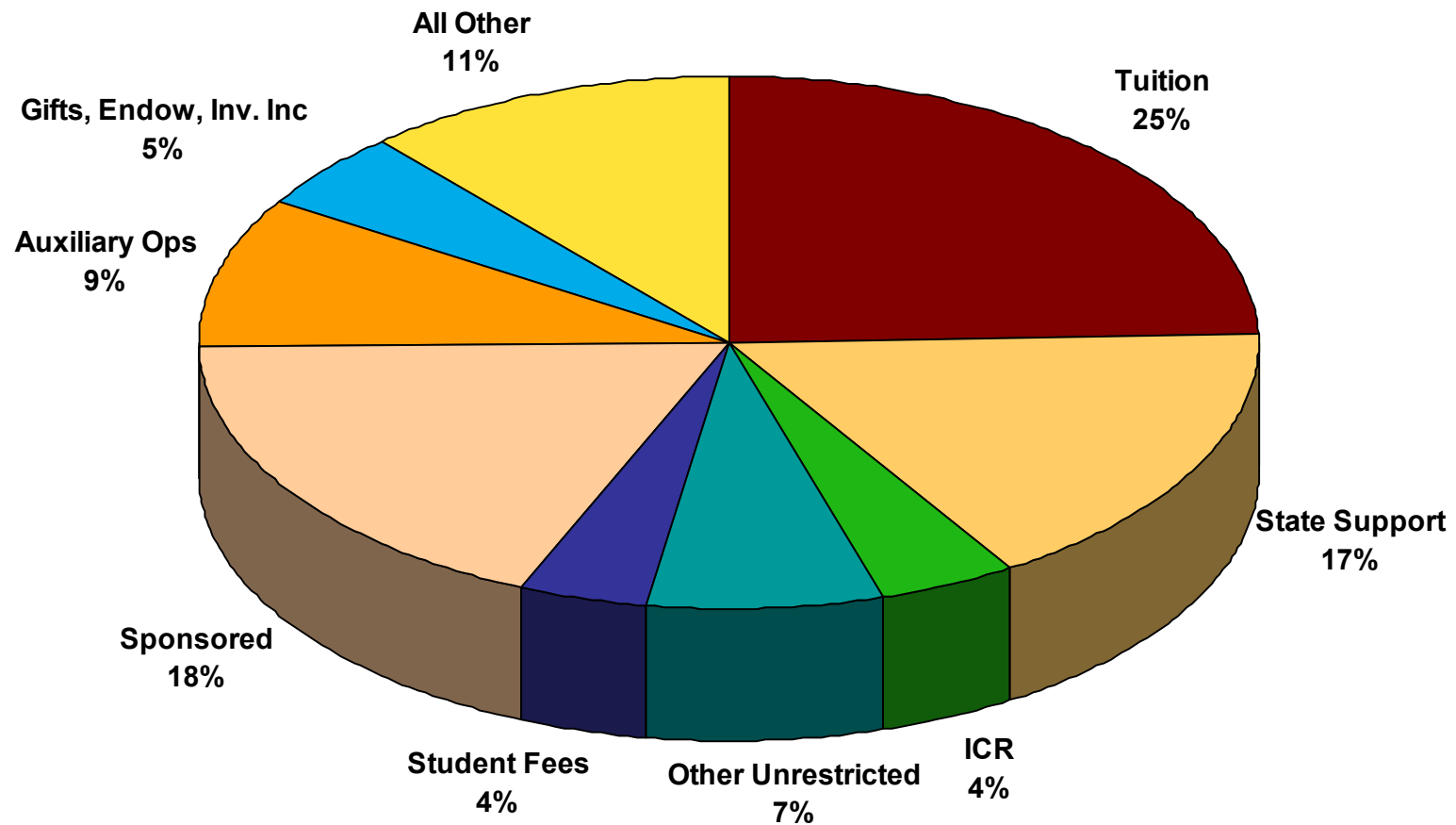
# University of Minnesota Revenue Sources

## All Funds FY12: \$3.7 Billion

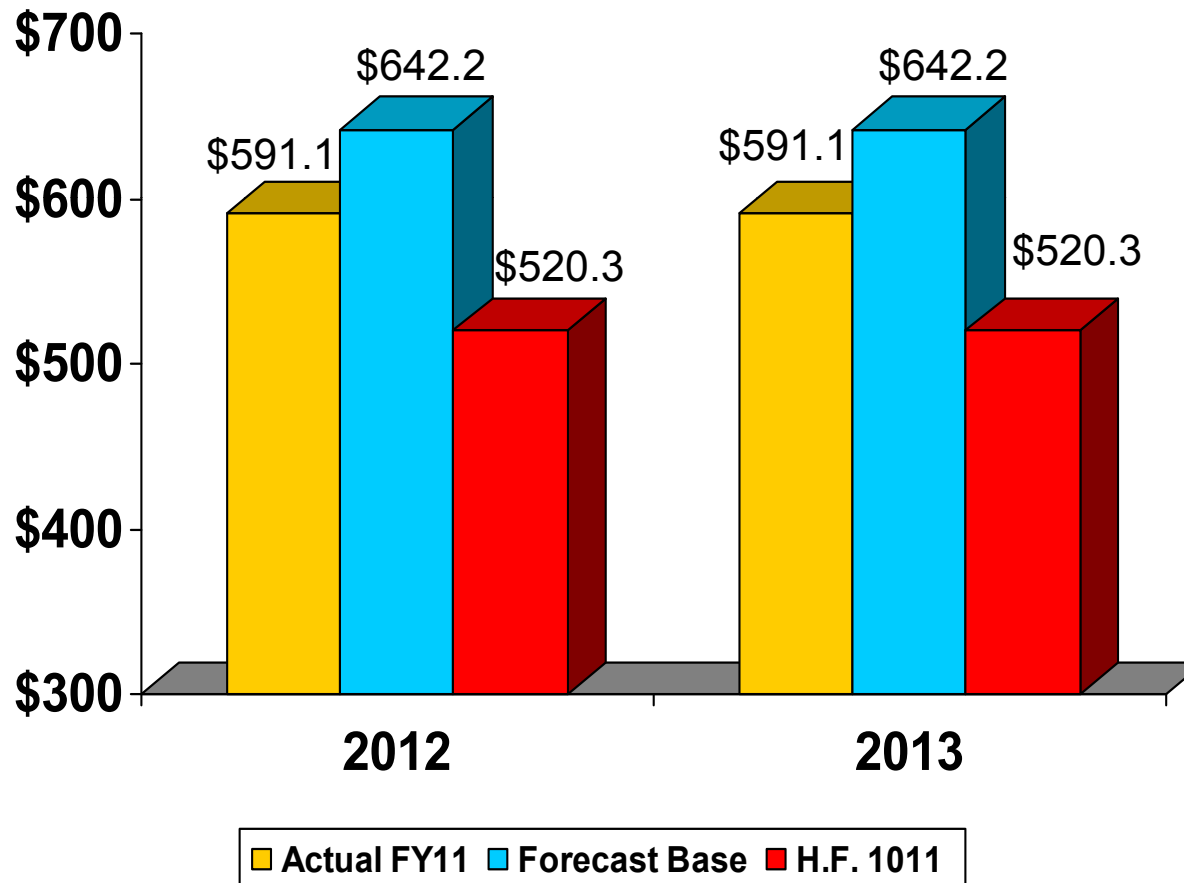


# University of Minnesota Revenue Sources

## All Funds FY12 (excluding ISOs): \$3.3 Billion



# University of Minnesota FY12 & FY13 Provisional Assumptions General Fund Appropriations\*



\*Excludes Cigarette tax, MnCare and special project appropriations

# 2012 -2013 Biennial Budget Request

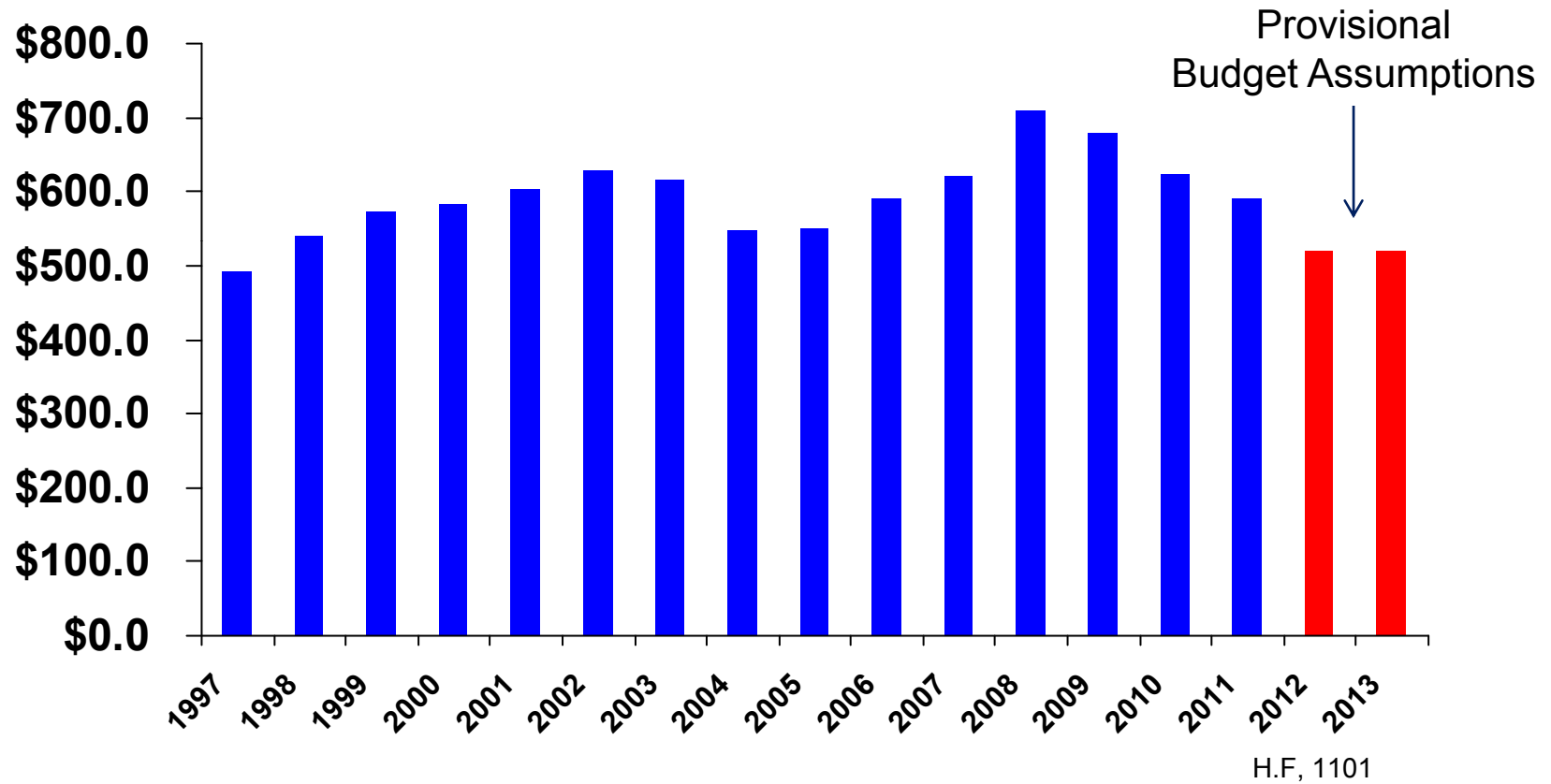
## \$1,284.4 Million\*

Biennial Amount  
(in millions)

<b>Supporting Students</b>	<b>\$39.2</b>
Restore Faculty Positions	\$19.6
Student Financial Support	\$19.6
<b>Meeting Core Costs</b>	<b>\$63.0</b>
Change from FY11 Appropriation	<b>\$102.2</b>

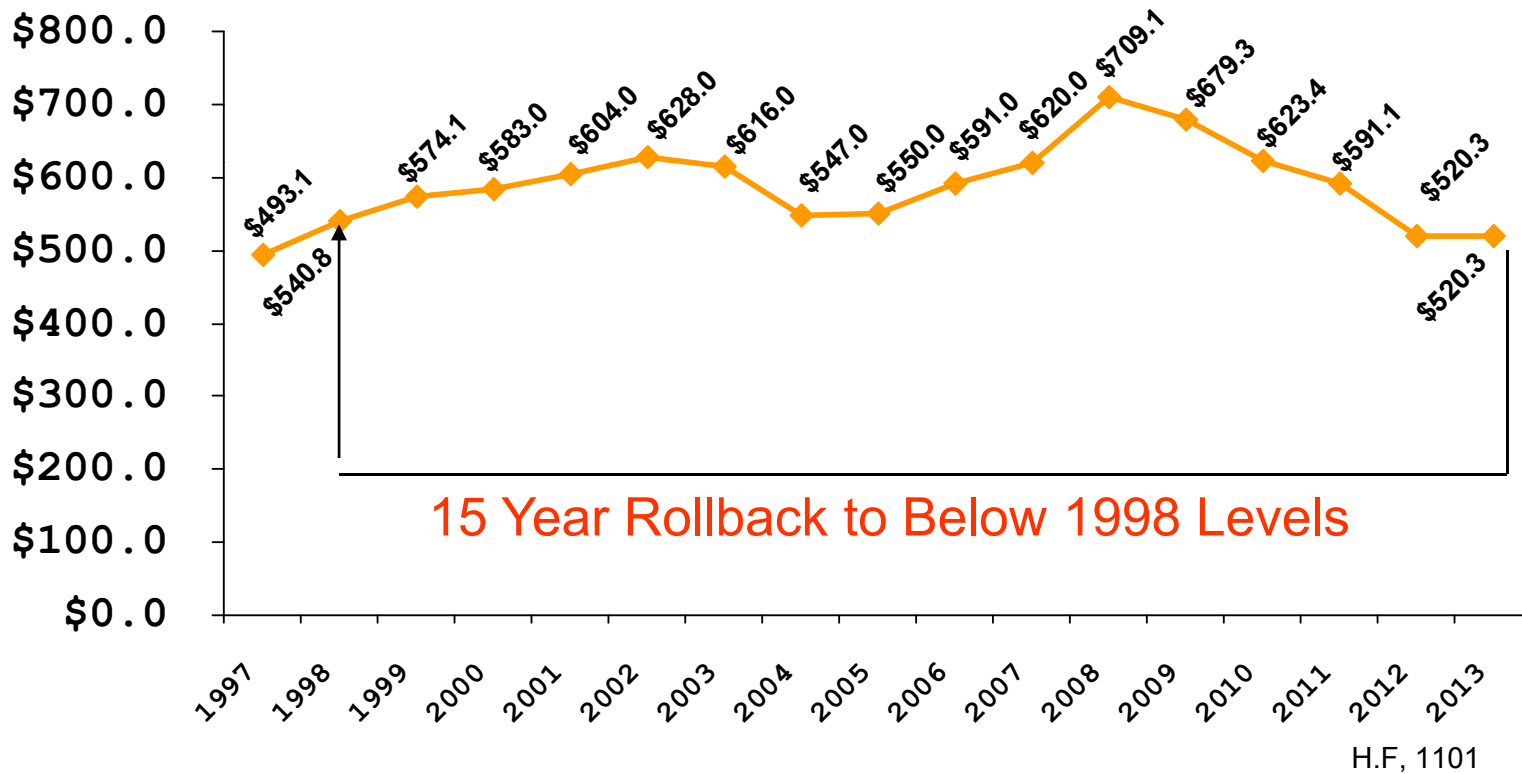
\*Actual FY11 Base Doubled = \$1,182.2 Million for 2012-2013

University of Minnesota  
Operations & Maintenance/State Specials  
Trends State Appropriations\*  
1997 to 2013



\*Excludes Cigarette tax, MnCare and special project appropriations

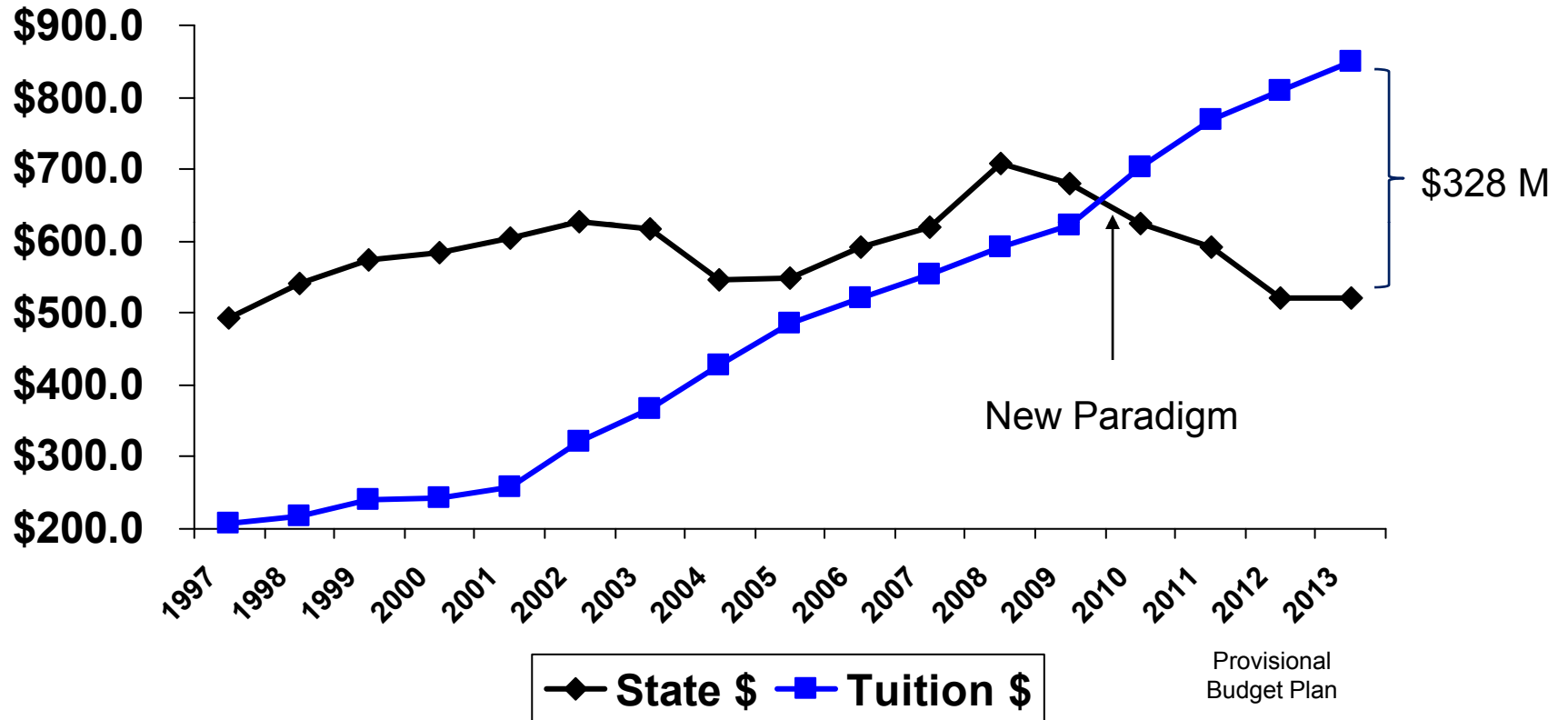
# University of Minnesota Operations & Maintenance/State Specials Trends State Appropriations 1997 to 2013\*



\*Excludes Cigarette tax, MnCare and special project appropriations

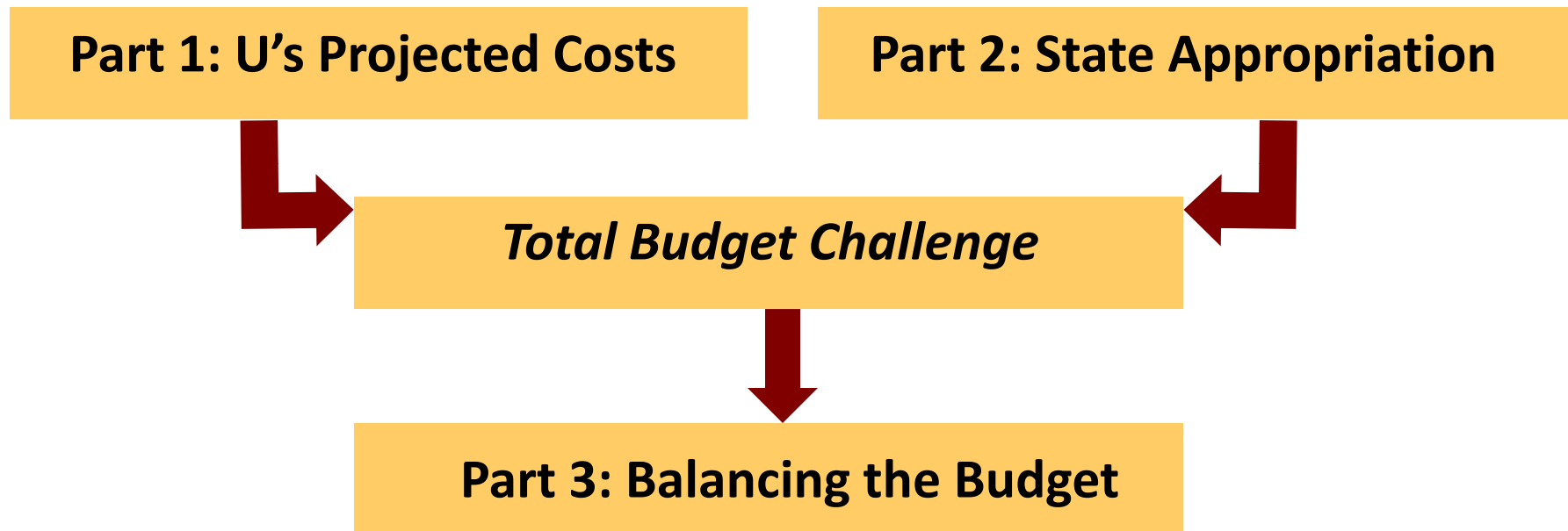


## Trends in Tuition & State Funds\* 1997 to 2013

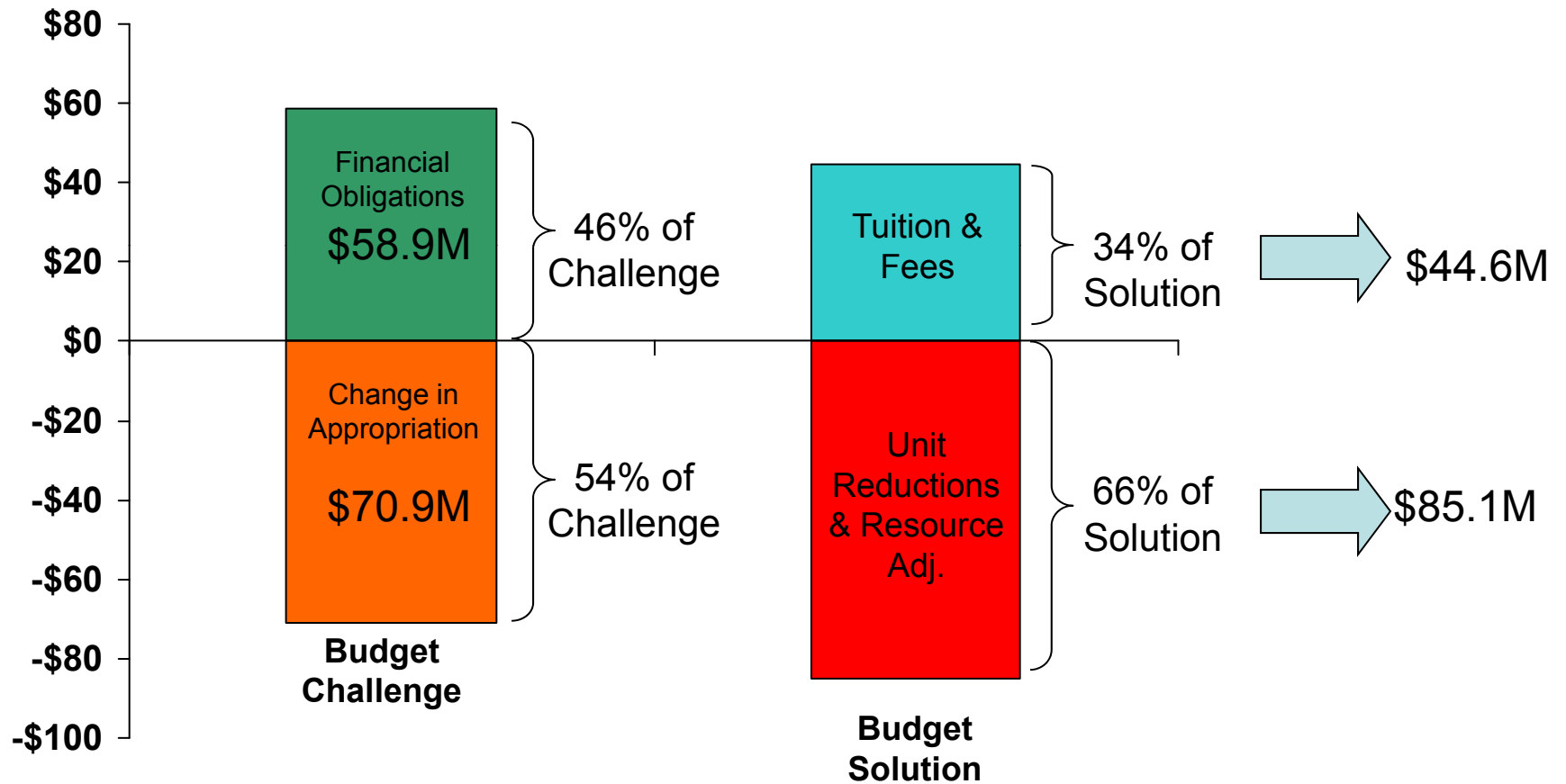


\*Excludes Cigarette tax, MnCare and special project appropriations

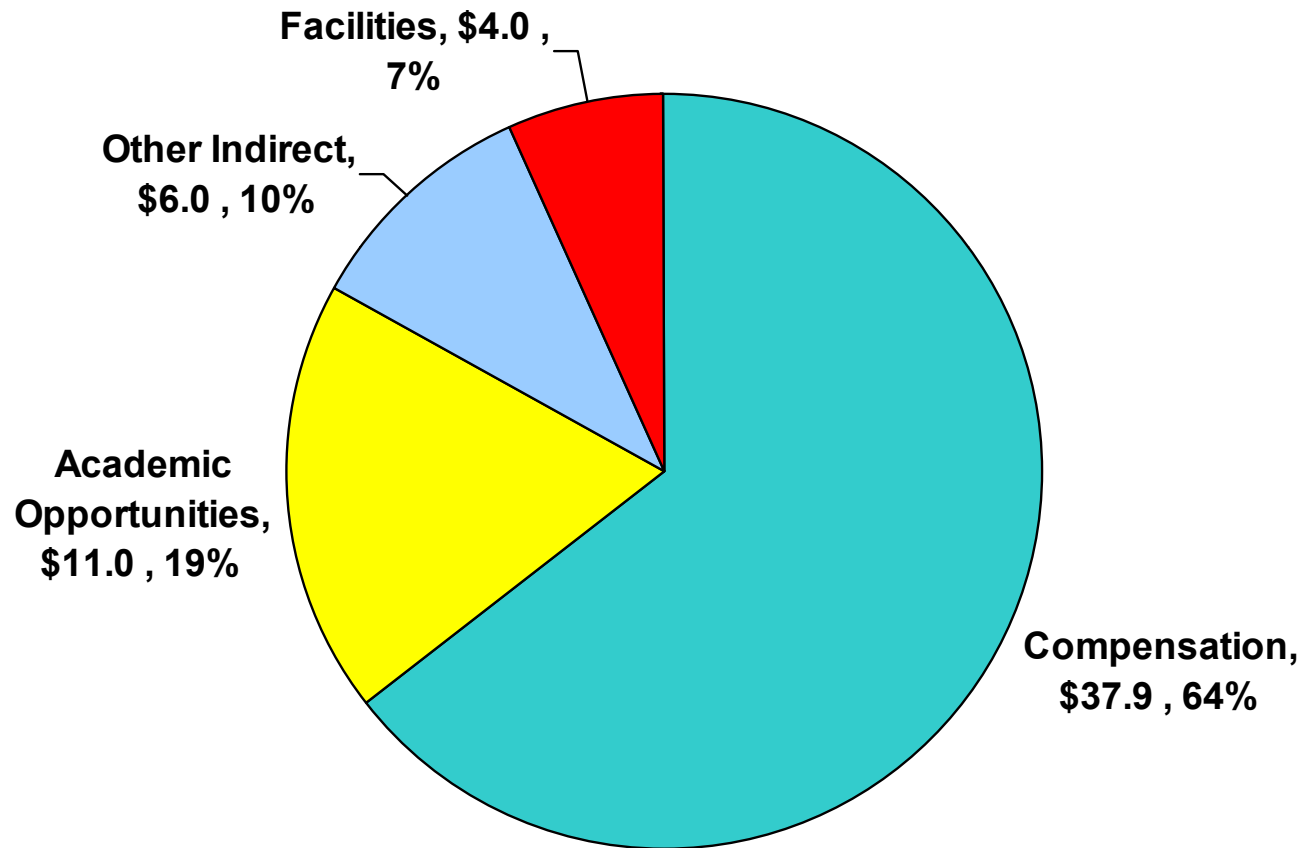
# Budget Development Process: Defining the Budget Challenge & Balancing the Budget



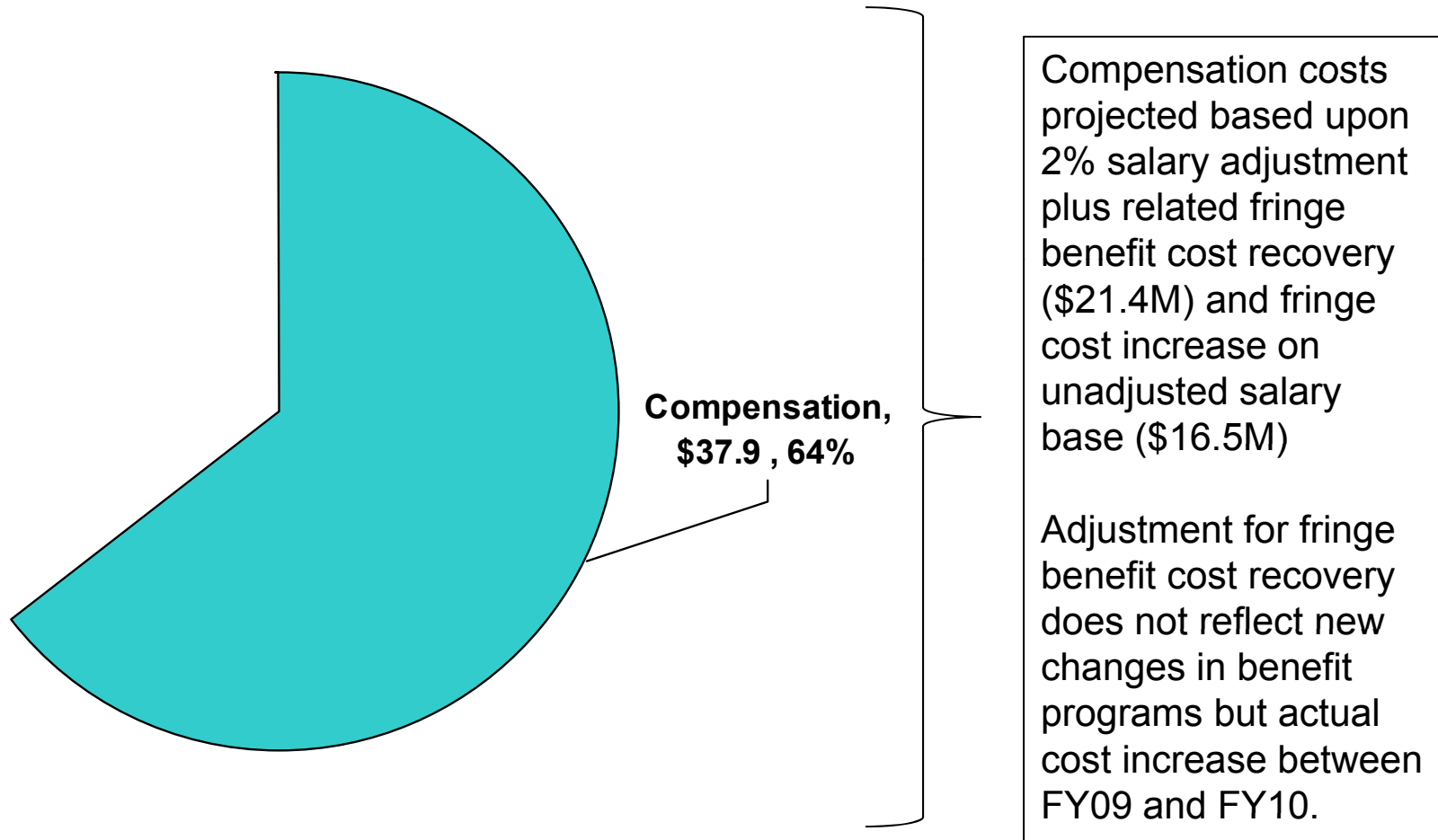
# University of Minnesota FY2012 \$129.7 Million Budget Challenge



**University of Minnesota FY2011**  
**\$58.9 Million Challenge =46% of Total**  
**[Excludes \$70.9M Appropriation Reduction]**



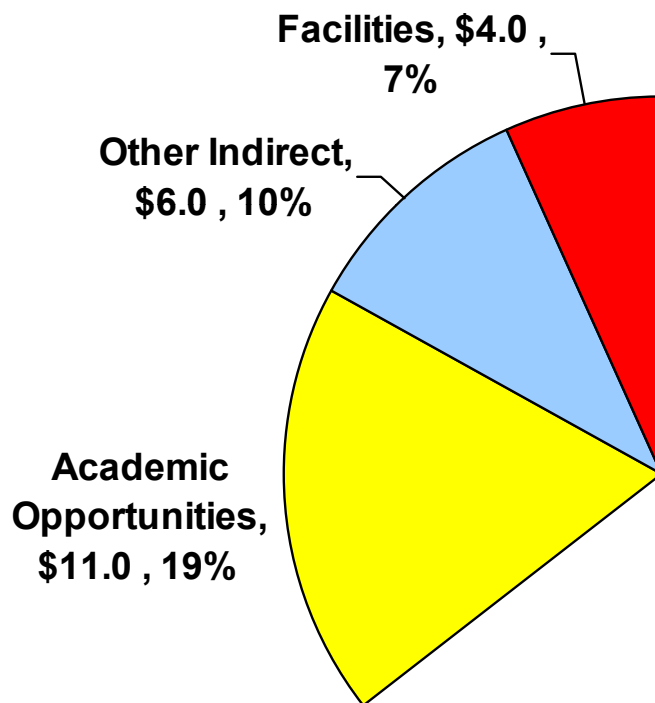
**University of Minnesota FY2011**  
**\$58.9 Million Challenge = 46% of Total**  
**[Excludes \$70.9M Appropriation Reduction]**



# University of Minnesota FY2011

## \$58.9 Million Challenge = 46% of Total

[Excludes \$70.9M Appropriation Reduction]

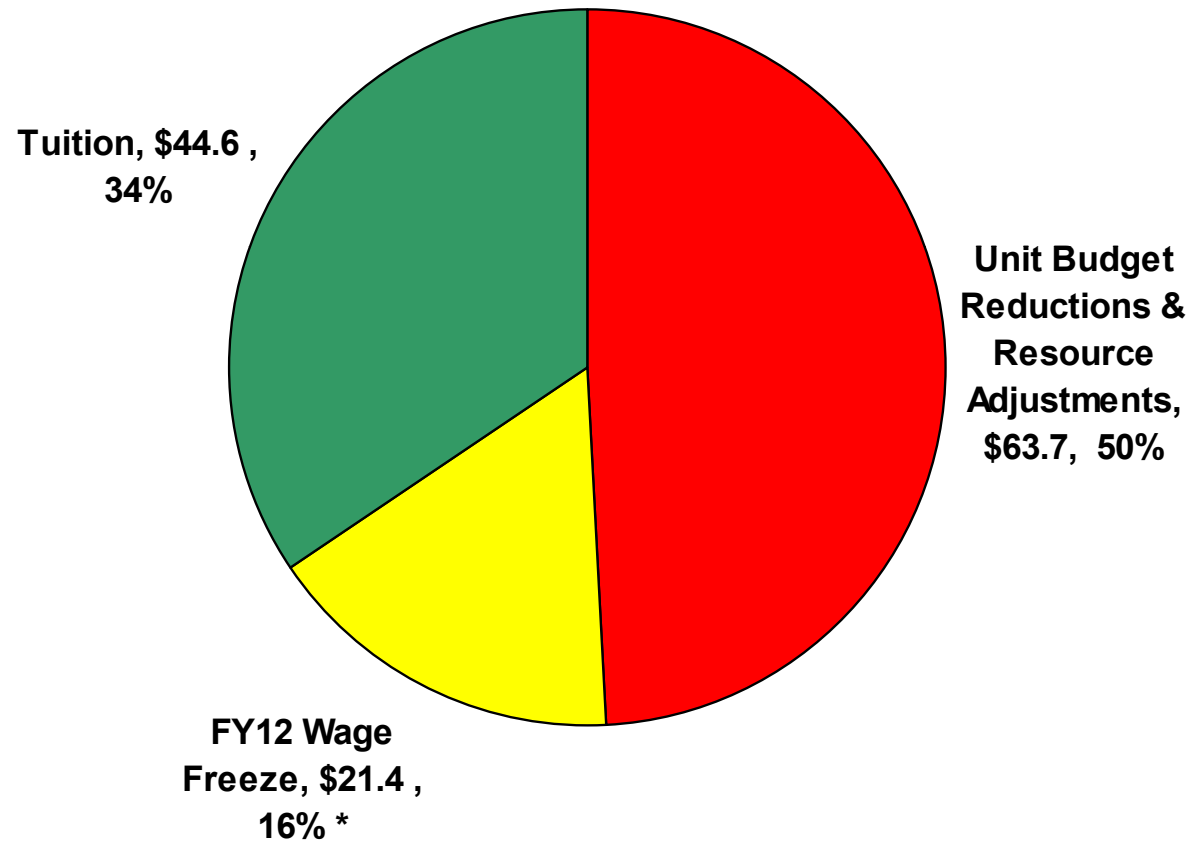


Facilities - increased costs for Debt service, Leases, and Building Operations

Other Indirect - examples Include software licenses, Sponsored project admin., CAPE advisors, scholarships & Fellowships, etc.

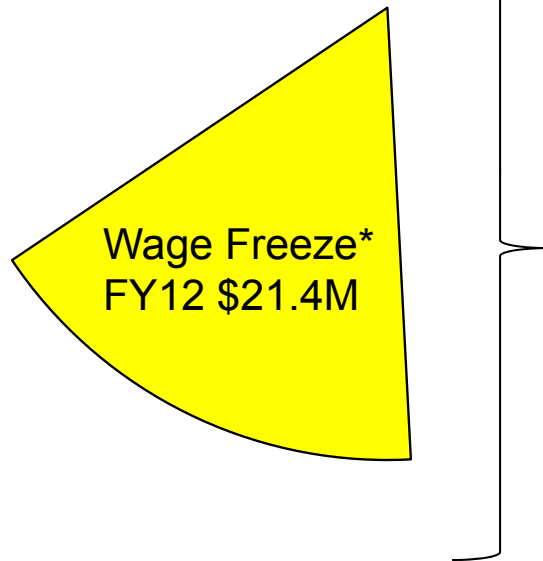
Academic Opportunities - examples Include graduate student support, Biomed Hlth Informatics, U/Mayo Partnership, faculty in CBS and CSE, Supercomputer Institute costs, etc.

# University of Minnesota FY2012 \$127.9 Million Budget Balancing Strategy



\*Wage freeze subject to collective bargaining

# University of Minnesota FY2012 \$127.9 Million 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.

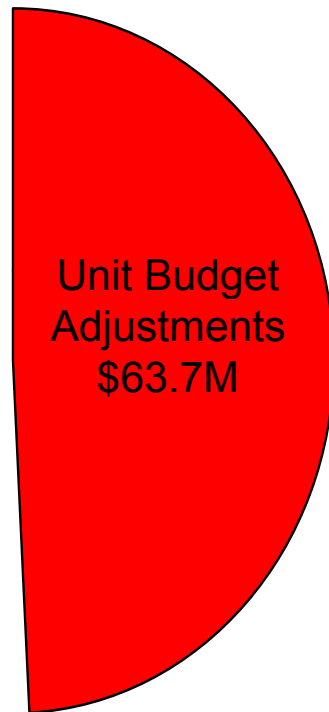
Remaining cost of \$16.5M represents actual incurred expense increase for University's benefit programs between FY09 and FY10.

President is also proposing further benefit adjustments relating to academic retirement program and Uplan medical benefits that will result in significant savings in future fiscal years.

\*Wage freeze subject to collective bargaining



# University of Minnesota FY2011 \$129.7 Million 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

**All-Funds Budget Structure  
FY2012  
\$3.7 Billion**

**Sponsored Funds  
\$600 Million**

**Non-Sponsored Funds  
\$3.1 Billion**

**Local Unit Generated Revenues  
\$1.6 Billion**

**Centrally Allocated & Attributed  
\$1.5 Billion**

**\$244 Million  
Auxiliary  
Operations  
(e.g. bookstores,  
parking, food,  
housing)  
\$435 million  
internal sales**

**\$921 Million  
Clinical Income  
Restricted Income  
Grants & Contracts  
Business & Industry  
Sales & Services  
Fees  
Endowment Income**

**State O & M/Other Misc.**

**State Specials**

**Tuition**

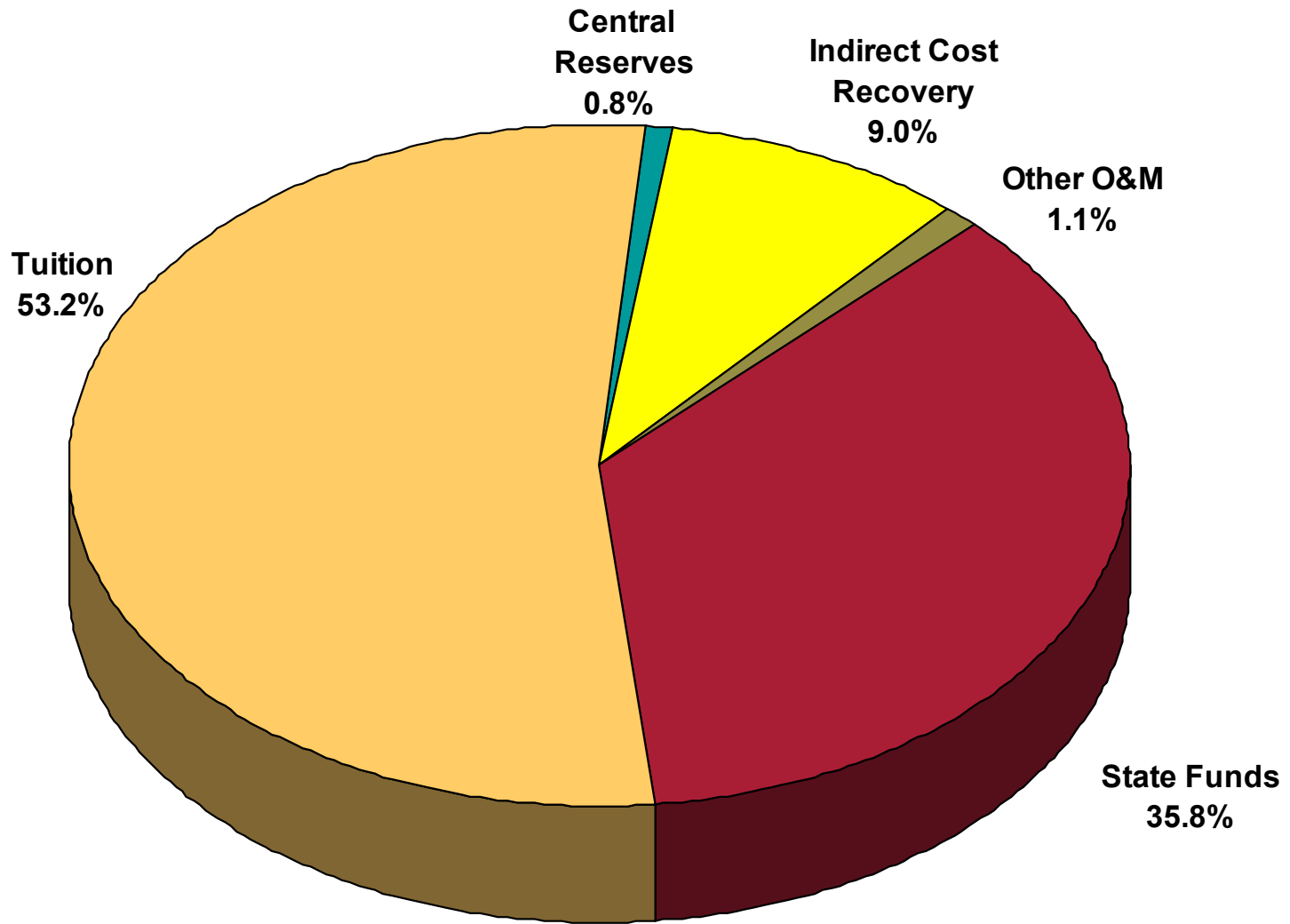
**Indirect Cost Recovery**

**Central Reserves**

**President's FY12 Recommended Provisional Operating Budget  
(O&M, Tuition, State Specials, ICR, Central Reserves)**

<b><i>Beginning Balance</i></b>	<b>\$11,739,512</b>
<b><i>Revenues &amp; Net Transfers</i></b>	
Operations & Maintenance-State	458,881,000
Operations & Maintenance – Other	17,264,520
State Specials	85,870,00
Tuition	808,309,676
Indirect Cost Recovery	136,971,511
Central Reserves	12,651,500
<b><i>Total Net Resources</i></b>	<b>\$1,531,687,719</b>
<b><i>Allocations to Units</i></b>	<b><u>\$1,518,287,764</u></b>
<b><i>Ending Balance</i></b>	<b>\$13,399,955</b>

# Centrally Attributed and Distributed Revenues FY2012 Operating Budget: \$1,519,948,207



# University of Minnesota

## H.F. 1101- FY12 & FY13 Appropriations

Operations and Maintenance	458,881,000	458,881,000
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Special Appropriations:

(a) Agriculture and Extension Service For the Agricultural Experiment Station, Minnesota Extension Service.	42,922,000	42,922,000
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(b) Health Sciences For the rural physicians associates program, the Veterinary Diagnostic Laboratory, health sciences research, dental care, and the Biomedical Engineering Center	4,854,000	4,854,000
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(c) Institute of Technology For the Geological Survey and the Talented Youth Mathematics Program.	1,140,000	1,140,000
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(d) System Specials For general research, industrial relations education, Natural Resources Research Institute, Center for Urban and Regional Affairs, Bell Museum of Natural History, and the Humphrey exhibit.	5,056,000	5,056,000
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(e) University of Minnesota Mayo Foundation Partnership	7,491,000	7,491,000
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Primary Care Initiatives This appropriation is from the health care access fund	2,157,000	2,157,000
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Academic Health Center

The appropriation to the Academic Health Center under Minnesota Statutes, section 297F.10, is anticipated to be \$22,250,000 each year.

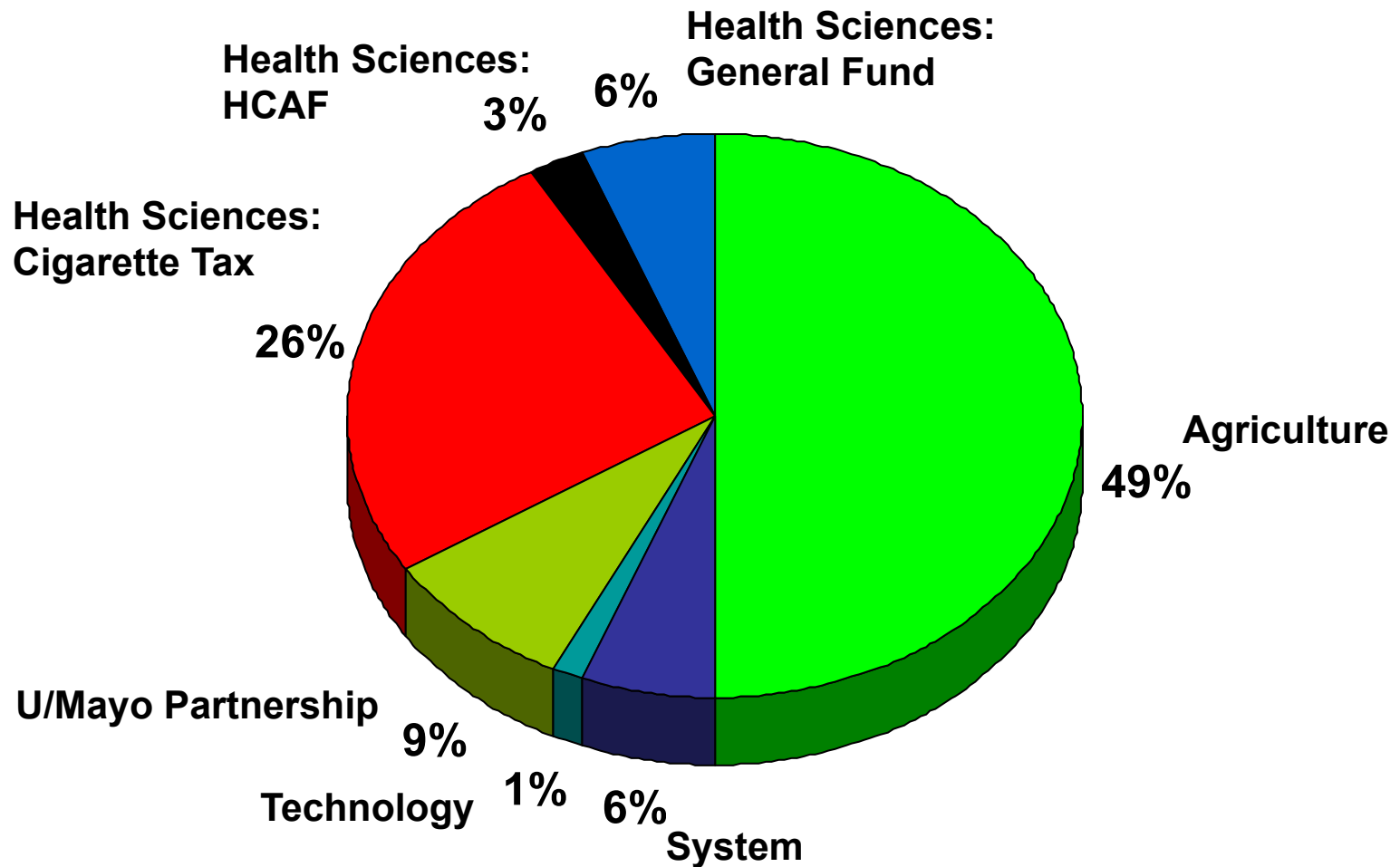
## Centrally Attributed and Distributed Funds Operations and Maintenance Fund

	A FY2010-11	B FY2011-12	B-A Change
Balance Forward	\$506,223	\$506,273	\$50
Revenues	\$543,010,000	\$474,481,000	(\$68,529,000)
Interfund Transfers	\$10,962,623	\$10,900,627	(\$61,996)
Total Resources	\$554,478,846	\$485,887,900	(\$68,590,946)
Allocations	\$553,972,573	\$485,781,577	(\$68,190,996)
Ending Balance	\$506,273	\$106,323	(\$399,950)

## Centrally Attributed and Distributed Funds State Specials

	A FY2010-11	B FY2011-12	B-A Change
	<hr/>	<hr/>	<hr/>
Balance Forward	\$0	\$0	\$0
Revenues	\$89,493,000	\$85,870,000	(\$3,623,000)
Interfund Transfers	\$0	\$0	\$0
	<hr/>	<hr/>	<hr/>
Total Resources	\$89,493,000	\$85,870,000	(\$3,623,000)
Allocations	\$89,493,000	\$85,870,000	( \$3,623,000)
	<hr/>	<hr/>	<hr/>
Ending Balance	\$0	\$0	\$0

University of Minnesota  
H.F. 1101 State Specials – All Sources  
\$85,470,000 FY2011-12





# University of Minnesota

## H.F. 1101 State Specials – FY2011-12

- Agriculture: \$42.9 Million
  - Agriculture Experiment Stations
  - Minnesota Extension Service
- Health Sciences: \$4.9 Million
  - Biomedical Engineering
  - Rural Physicians Program
  - Health Sciences Research
  - Vet. Diagnostic Lab
  - St. Cloud Residency
  - Dental Care
- Health Sciences: \$24.5 Million
  - Health Care Access Fund: \$2.2M
  - AHC Education Programs/Cigarette Tax: \$22.3M
- Institute of Technology: \$1.1M
  - Minnesota Geological Survey
  - Talented Youth Mathematics
- System: \$5.1M
  - Bell Museum
  - Urban & Regional Affairs Ctr.
  - General Research
  - UMD Business & Economic Research
  - Industrial Relations Education
  - NRRI
  - Humphrey Forum
- U/Mayo: \$7.5M
  - Mayo/University Partnership

## Centrally Attributed and Distributed Funds Tuition

	A FY2010-11	B FY2011-12	B-A Change
Balance Forward	\$0	\$0	\$0
Revenues	\$766,085,282	\$808,309,676	\$42,224,394
Interfund Transfers	\$0	\$0	\$0
Total Resources	\$766,085,282	\$808,309,676	\$42,224,394
Allocations	<u>\$766,085,282</u>	<u>\$808,309,676</u>	<u>\$42,224,394</u>
Ending Balance	\$0	\$0	\$0

University of Minnesota 2011-12 Tuition Plan (with U Fee rolled in)

				\$ Inc	\$ Inc	% Inc	% Inc
	Resident	Nonresident		Resident	Nonresident	Resident	Nonresident
Twin Cities Undergraduate	\$11,650	\$16,650		\$556	\$1,256	5.0%	8.2%
Duluth Undergraduate	\$11,322	\$13,322		\$540	\$540	5.0%	4.2%
Morris Undergraduate	\$11,322	\$11,322		\$540	\$540	5.0%	5.0%
Crookston Undergraduate	\$9,694	\$9,694		\$462	\$462	5.0%	5.0%
Rochester Undergraduate	\$11,322	\$11,322		\$540	\$540	5.0%	5.0%
Graduate General Programs	\$14,012	\$21,466		\$668	\$1,024	5.0%	5.0%
M.B.A. Day Program	\$31,706	\$44,568		\$1,510	\$2,124	5.0%	5.0%
Law School	\$32,928	\$41,496		\$2,804	\$2,866	9.3%	7.4%
Dentistry *	\$37,535	\$67,637		\$2,575	\$5,515	7.4%	8.9%
Medicine (TC & UMD) *	\$35,700	\$46,467		\$1,701	\$3,198	5.0%	7.4%
Pharmacy (TC & UMD)	\$22,208	\$33,594		\$1,060	\$1,058	5.0%	3.3%
Veterinary Medicine	\$26,600	\$49,440		\$1,492	\$2,786	5.9%	6.0%
* Includes mandatory summer term.							

## Centrally Attributed and Distributed Funds Indirect Cost Recovery

	A FY2010-11	B FY2011-12	B-A Change
Balance Forward	\$0	\$0	\$0
Revenues	\$136,903,816	\$136,971,511	\$67,695
Interfund Transfers	\$0	\$0	\$0
Total Resources	\$136,903,816	\$136,971,511	\$67,695
Allocations	\$136,903,816	\$136,971,511	\$67,695
Ending Balance	\$0	\$0	\$0

## Centrally Attributed and Distributed Funds Central Reserves

	A FY2010-11	B FY2011-12	B-A Change
Balance Forward	\$9,098,030	\$11,233,239	\$2,135,209
Net Revenues	\$12,778,312	\$12,651,500	(\$126,812)
Interfund Transfers	(\$9,298,103)	(\$9,236,107)	\$61,996
Total Resources	\$12,578,239	\$14,648,632	\$2,070,393
Allocations	\$1,345,000	\$1,355,000	\$10,000
Ending Balance	\$11,233,239	\$13,293,632	\$2,060,393

<b>Twin Cities Campus, Undergraduate, Resident – Dorm Room</b>					
	FY11 Academic Year	FY12 Academic Year	\$ Increase	% Increase	FY12 % of Total
Tuition (13-credit band)	\$11,094	\$11,650	\$556	5.0	56.5
Student services fee	698	732	34	4.9	3.5
Collegiate fee*	343	450	107	31.2	2.2
Transportation fee	36	38	2	2.8	0.2
Stadium fee	25	25	0	0.0	0.1
Other required fees**	7	7	0	0.0	0.0
Subtotal tuition and required fees	12,203	12,902	699	5.7	62.5
Room & Board (double room, 14 meal plan)	7,576	7,728	152	2.0	37.5
Total Cost– Twin Cities	\$19,779	\$20,630	\$851	4.3%	100%

\*Average of all undergraduate programs, 6+ credits

\*\*Council of College Boards, MN Student Association.

<b>University of Minnesota - Crookston, Resident – Dorm Room</b>					
	FY11 Academic Year	FY12 Academic Year	\$ Increase	% Increase	FY12 % of Total
Tuition (13-credit band)	\$9,232	\$9,694	\$462	5.0	54.3
Student services fee	391	402	11	2.8	2.3
Campus fee	1,000	1,000	0	0	5.6
Subtotal tuition and required fees	10,623	11,096	473	4.5	62.2
Room & Board (double room, 19 meal plan)	6,568	6,764	196	3.0	37.8
Total Cost – Crookston	\$17,191	\$17,860	\$669	3.9%	100%

<b>University of Minnesota - Duluth, Resident Undergraduate– Dorm Room</b>					
	FY11 Academic Year	FY12 Academic Year	\$ Increase	% Increase	FY12 % of Total
Tuition (13-credit band)	\$10,782	\$11,322	\$540	5.0	59.6
Student services fee	558	588	30	5.4	3.1
Collegiate fee	267	470	203	76.0	2.5
Computer network access fee	149	0	-149	-100.0	
Subtotal tuition and required fees	11,756	12,380	624	5.3	65.2
Room & Board (double room, 19 meal plan)	6,392	6,614	222	3.5	34.8
Total Cost– Duluth	\$18,148	\$18,994	\$846	4.7%	100%



<b>University of Minnesota - Morris, Resident – Dorm Room</b>					
	FY11 Academic Year	FY12 Academic Year	\$ Increase	% Increase	FY12 % of Total
Tuition (13-credit band)	\$10,782	\$11,322	\$540	5.0	58.9
Student services fee*	625	629	4	.6	3.3
Campus fee	125	140	15	12.0	0.7
Subtotal tuition and required fees	11,532	12,091	559	4.8	62.9
Room & Board (double room, 19 meal plan)	7,049	7,120	71	1.0	37.1
Total Cost– Morris	\$18,581	\$19,211	\$630	3.4%	100%

\*Activities fee, Health Services fee, Student Center fee, Athletics fee, Regional Fitness Center fee

# Three Fee Categories: Summary of Changes for FY12

## Course Fees

67% = no change  
3% decreasing

### Increases:

- No more than 4% rounded up to nearest \$ for most – Consumables & Service
- Transportation/Field Trip and International Courses covering costs
- Analysis over next 6 months for changes in FY13 budget

## Admin./Misc. Fees

71% = no change

### Increases:

- To standardize across campuses (U Card/Transcripts)
- Others unique international, program, or internship situations or minimal changes for costs
- Continue to monitor for consistency and reasonableness

## Academic Fees

Notable:

Collegiate Fee Increases:  
Carlson School of Mgmt  
Science & Engineering  
Pharmacy  
Veterinary Medicine

Duluth Restructuring -  
E-Mail Access &  
Collegiate Fees

Durable Goods – included with this listing under proposed policy – in UMC, UMR, Dentistry, Law etc.

Definition change for FY12

UNIVERSITY OF MINNESOTA  
ANNUAL FORECAST  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
JUNE 30, 2005 - estimated 2011 & 2102  
(in thousands)

	ACTUAL June 30 2005	ACTUAL June 30 2006	ACTUAL June 30 2007	ACTUAL June 30 2008	ACTUAL June 30 2009	Actual June 30 2010	Estimated June 30 2011	Estimated June 30 2012
1								
2								
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## PART 2

Fiscal Years 2012-2013

Additional Budget Planning  
Considerations

## University of Minnesota State General Fund 2012 – 2013 Biennial Budget Comparisons\*

	Biennial \$	Change from FY11	
Actual FY11 Doubled	\$1,182.3		
Gov.'s Rec.	\$1,207.2	+\$24.9 million	} \$166.5 Million Difference
H.F. 1101	\$1,040.7	-\$141.6 million	

\*Excludes Cigarette tax, MnCare and special project appropriations

# Financial Framework for Improved Outcome

**1/3<sup>rd</sup> to reduce financial burden of tuition and fee rate increases particularly on Minnesota resident undergraduates**

1/3<sup>rd</sup> to reduce impact of \$70.8 million in state appropriation reductions on academic units

1/3<sup>rd</sup> to address FY13 budget challenges

# Potential State Government Shutdown

## July 1, 2011

1. The loss of state support, either temporarily or permanently, will be a major challenge for the University of Minnesota as it will be for other entities in the state.
2. The University of Minnesota operates on a year-round basis, including summer programs and clinical care responsibilities, and has contractual obligations to numerous external funders, including the National Institutes of Health, the National Science Foundation, and business and industry partners. We cannot interrupt those activities with a total shutdown.
3. A shutdown puts other funding at risk (faculty research proposals, long term partnerships, etc.) and would simply cause further harm to our academic mission.
4. We are hopeful any state government shutdown would mean only a short-term, temporary interruption in the flow of funds from the State of Minnesota.
5. The University, like any large business, continually manages the high and low points between expenditures and revenues and the U can weather a short-term disruption in the flow of next year's state appropriations to the University.

## **Principles of Managing a State Government Shutdown**

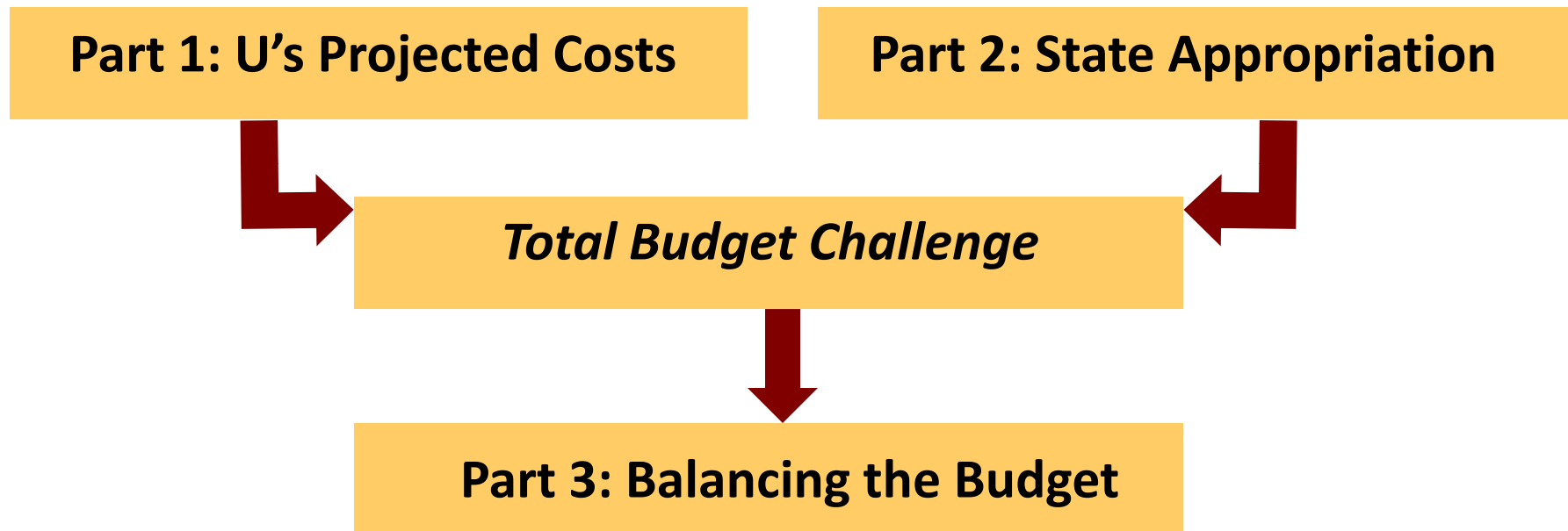
1. **Students**. Avoid disruption to student education, including maintaining full financial aid support.
2. **Research**. Avoid disruption to University research commitments to outside agencies, including NIH, NSF and other research sponsors.
3. **Patient Care and Clinical Programs**. Guarantee availability of health professionals and ensure the continuity of service for patients.
4. **Fiscal Integrity**. Take necessary actions to safeguard the fiscal integrity of the University, including an ability to plan for future actions, fulfill commitments and protect bond ratings.
5. **Faculty and Staff**. Protect faculty and staff from undue financial burden.
6. **Property, Plant & Equipment**. Take appropriate actions to assure the safety of the University community include the continued maintenance and upkeep of University property, plant and equipment.



## PART 3

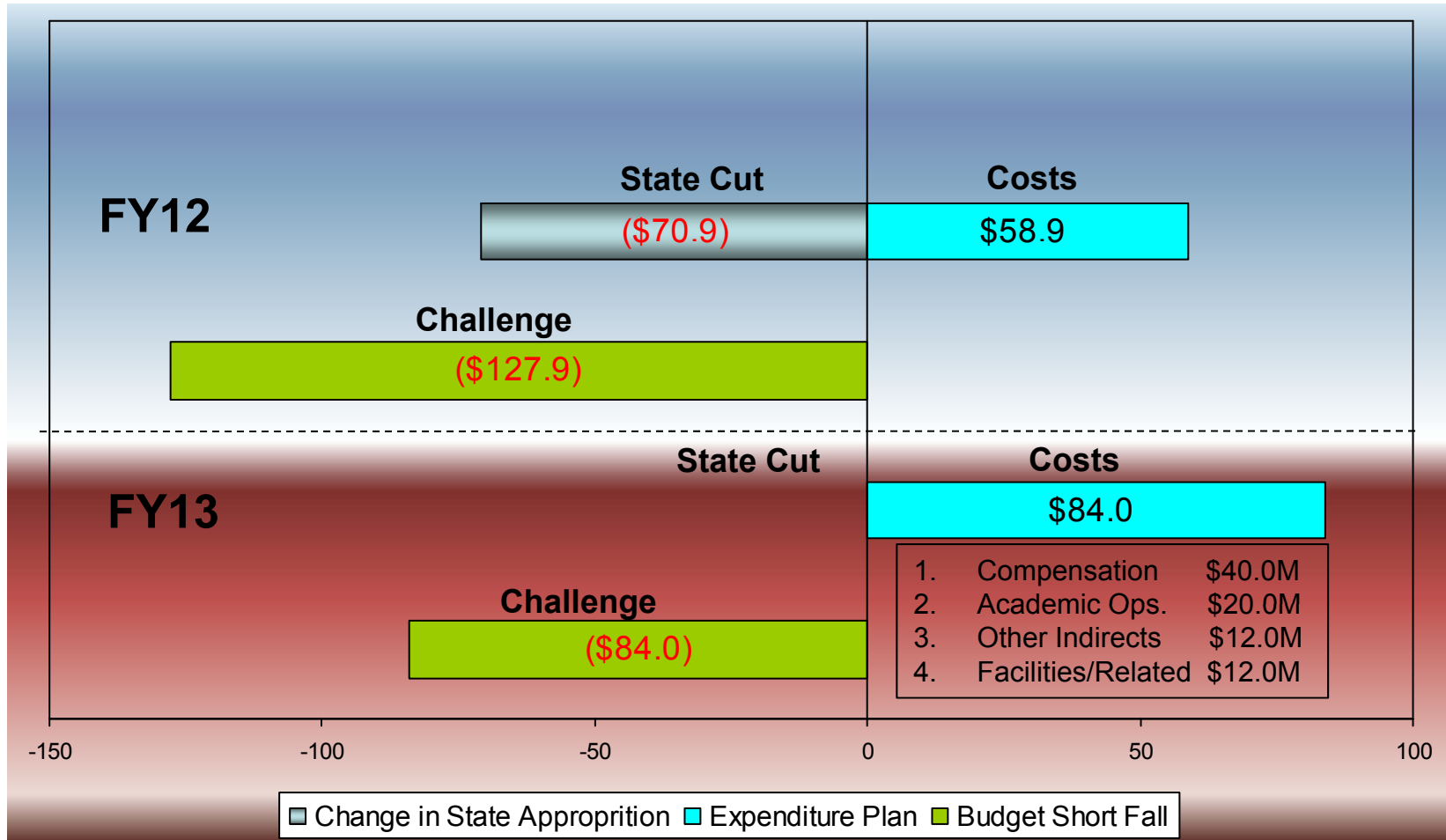
# Future Planning – FY13 Preliminary Planning Scenario

# Budget Development Process: Defining the Budget Challenge & Balancing the Budget



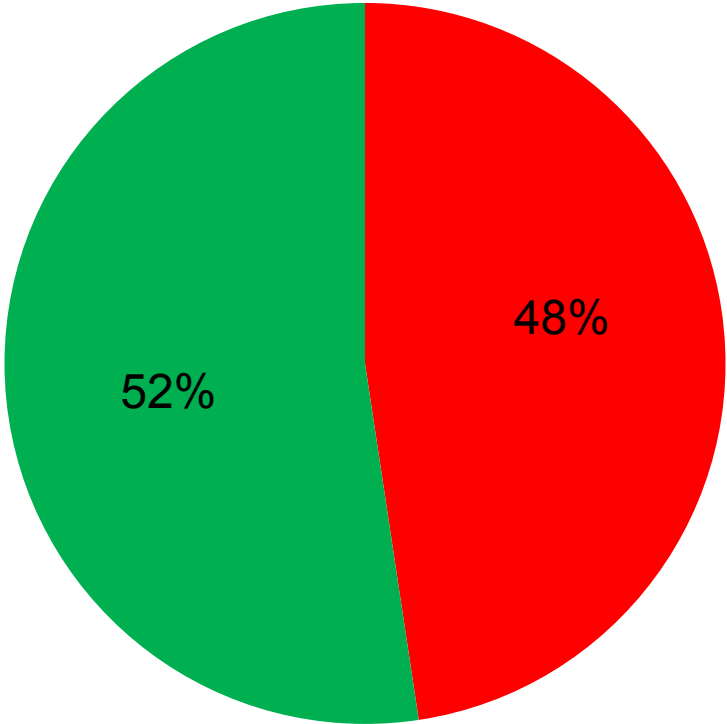
# University of Minnesota FY12 & FY13 Budget Challenges

Assumes \$520.3 Million Annual Appropriation



Preliminary Model  
FY13 Budget Solution  
Assumes \$84M Challenge

Assumes 3% Internal  
Reallocation of FY12  
Budgeted Allocations



Assumes 5% Growth  
from FY12 Estimate

■ Tuition   ■ University Responsibility