



Board of Regents Special Meeting

March 2018

March 8, 2018

3:00 p.m. - 4:00 p.m.

Boardroom, McNamara Alumni Center

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1. President's Recommended Supplemental 2018 State Budget Request
- Review/Action

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BOARD OF REGENTS DOCKET ITEM SUMMARY

Board of Regents

March 8, 2018

AGENDA ITEM: President’s Recommended Supplemental 2018 State Budget Request

Review **Review + Action** **Action** **Discussion**

This is a report required by Board policy.

PRESENTERS: Matt Kramer, Vice President for University Relations

PURPOSE & KEY POINTS

The purpose of this item is to seek approval of the President’s recommended supplemental 2018 state budget request.

For FY 2019, the state appropriations to the University in current law do not increase. As described in the FY 2018 Operating Budget approved by the Board last June, there will be a \$10 million decrease in state appropriations for next year compared to the current year:

University of Minnesota
2018 – 2019 Biennial Appropriations (\$ in Thousands)

	<u>FY 2018</u>	<u>FY 2019</u>	<u>Biennium</u>
Beginning Biennial Base Level Appropriation	\$626,349	\$626,349	\$1,252,698
Current Law State Funding Level	<u>\$658,686</u>	<u>\$648,636</u>	<u>\$1,307,322</u>
Change from Beginning Biennial Base Level	\$32,337	\$22,287	\$54,624
Change from Prior Year	\$32,237	(\$10,050)	
% Change from Prior Year	5.2%	-1.5%	
% Increase from Biennial Base Level Funding			4.4%

Of the \$32,337,000 increase for FY 2018, \$18,975,000 was in response to the University’s request for “core operations,” and within that amount, \$10 million was appropriated on a one-time basis. If the University had allocated that \$10 million to ongoing operations in the budget for this year, then recurring budget cuts would have been required as part of planning for the FY 2019 budget. Instead, the University allocated that \$10 million to one-time R&R projects throughout all of the campuses, so no budgetary “tail” was created.

However, to realize the requested intent of the “core operations” initiative, the President recommends that \$10 million be added to the University’s recurring Operations and Maintenance

base appropriation beginning in FY 2019 and going forward. For the 2018 legislative session, the President recommends submitting a supplemental request to the State of Minnesota for a recurring \$10 million: the FY 2019 general fund appropriation would then equal \$658,636,000, which would become the base appropriation going into the FY 2020-2021 biennium. The incremental new appropriation would be used in the FY 2019 budget to hold resident undergraduate tuition rates on all campuses flat – equal to the rates approved by the Board for FY 2018.

Stable Tuition

To maintain core operations of the University for FY 2019, the University has begun preliminary plans to internally reduce spending and reallocate existing resources, and to implement tuition increases in some categories. Critical cost increases for salaries and benefits, technology licensing and maintenance, facilities, compliance with state and federal regulations, and so forth make these actions necessary.

Current plans include the approved 15 percent increase in the nonresident/non-reciprocity (NRNR) tuition rate for incoming freshmen on the Twin Cities campus and the approved 5.5 percent tuition increase for continuing students paying the NRNR rate on the Twin Cities campus. In addition, the University is contemplating modest increases for some of the resident undergraduate tuition rates and for all graduate and professional rates. Approval of this supplemental request will allow the University to *forego* preliminary plans to increase the *resident* undergraduate tuition rates up to an inflationary rate of 2 percent.

BACKGROUND INFORMATION

On February 28, the State of Minnesota released an updated financial forecast for the remainder of the FY 2018-2019 biennium. That forecast projects a \$329 million surplus, which will be used as the basis for actions taken during this year's session. Although it is a bonding year, in the past the state has entertained small, targeted supplemental operating budget requests in the even-numbered year sessions.

The \$10 million reduction in the University's appropriation for FY 2019 helped hold down the funding requirements for the state in the 2019-2021 biennium. Given the updated economic outlook, the need to hold down FY 2019 appropriations to reduce that funding tail into the next biennium is not as relevant as it might have seemed to the legislature in the spring of 2017. The State of Minnesota has not distributed budget instructions to state agencies or the University, so this request will be submitted to the Office of Management and Budget for their information, and then will be submitted separately to the legislative committees responsible for higher education policy and finance.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the Supplemental 2018 State Budget Request.



REGENTS OF THE UNIVERSITY OF MINNESOTA
RESOLUTION RELATED TO
Supplemental 2018 State Budget Request

WHEREAS, the University of Minnesota (University), the state's only public, land grant university, is charged with the responsibility to pursue knowledge through research and discovery, and apply this knowledge through teaching and learning, and outreach and public engagement; and

WHEREAS, the FY 2018 state appropriation to the University includes a one-time amount of \$10,000,000 thus creating an overall decrease of state appropriation of the same amount for FY 2019; and

WHEREAS, the University allocated the \$10,000,000 one-time appropriation in FY 2018 to one-time repair and renovation projects throughout all the campuses; and

WHEREAS, the incremental new appropriation would be used in the FY 2019 budget to hold resident undergraduate tuition rates on all campuses flat – equal to the rates approved by the Board of Regents for FY 2018,

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents approves the University's Supplemental 2018 State Budget Request to the Minnesota Legislature in the amount of \$10,000,000 in recurring funds from the State of Minnesota.