

President's Recommended FY2008-09 Annual Operating Budget

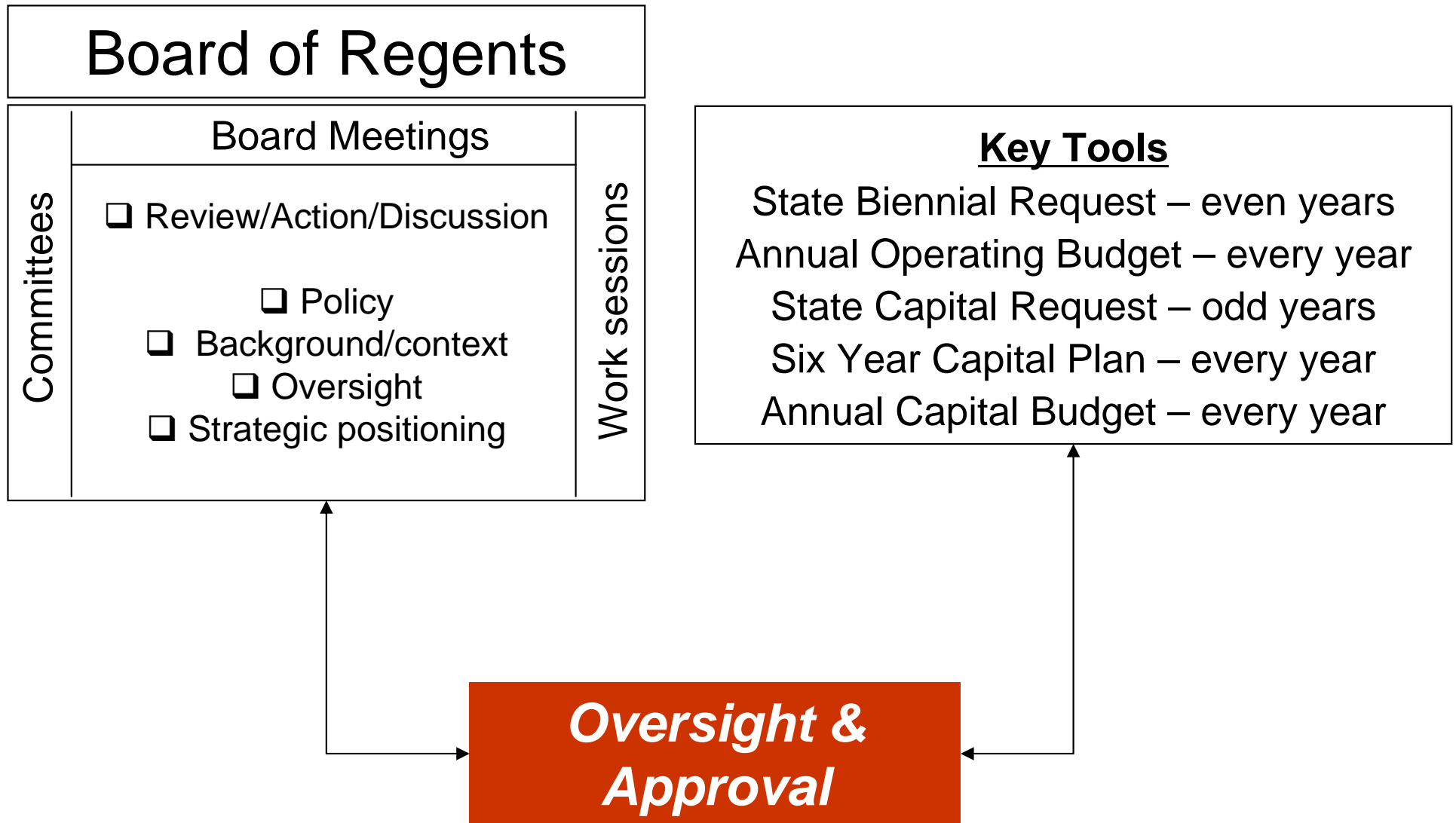
Presentation to the Board of Regents
Finance and Operations Committee

May 8, 2007

Agenda

- ✓ Overview State Budget Outcome, U of M Financial Needs & Total Budget Strategy
- ✓ Review Centrally Distributed & Attributed Funds
 1. Operations & Maintenance
 2. State Specials
 3. Tuition
 4. University Fee
 5. Indirect Cost Recovery
 6. Central Reserves

Operating & Capital Budget Development



Legislative Outcome*

	<u>2007-08</u>	<u>2008-09</u>
Request	\$58,900,000	\$64,500,000
Actual	<u>\$67,447,000</u>	<u>\$16,640,000</u>
Difference	\$ 8,547,000	(\$47,860,000)

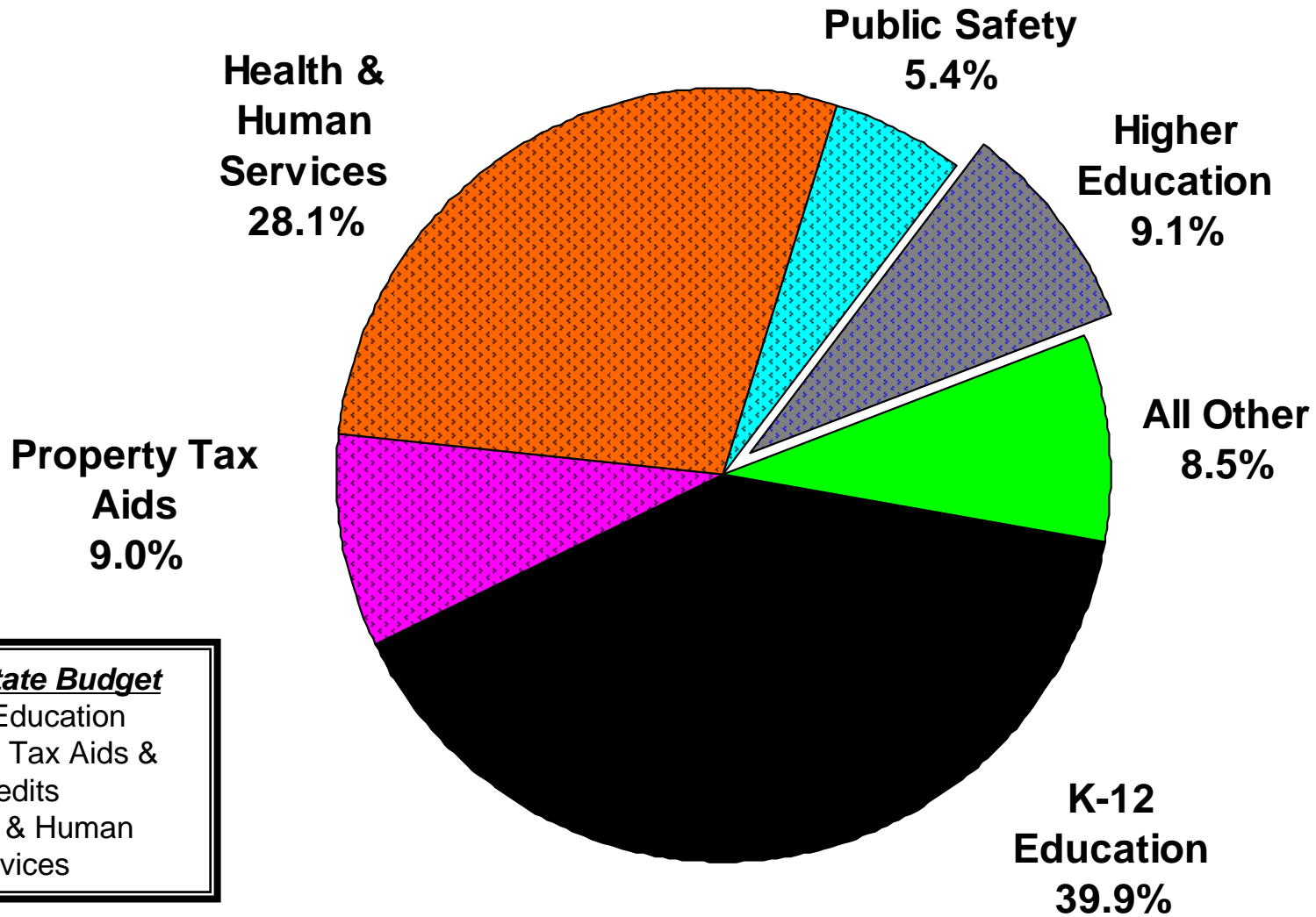
Biennial Math	=	Request	\$182,300,000
		Actual	<u>\$151,534,000</u>
		Difference	(\$ 30,766,000)

*Excludes \$25,000,000 onetime U/Mayo Partnership

Where the Money Goes

State of Minnesota General Fund Budget / \$34.58 Billion

2008-09 Biennium



Two-Year Budget Planning

Approved June 2007

Approve June 2008

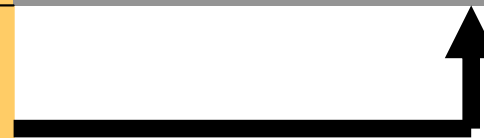
Fiscal Year 2007-08

Fiscal Year 2008-09

President's
Operating Budget Plan

President's
Operating Budget Plan

Fiscal Year 2008-09
Preliminary Financial Plan



President's Recommended FY2008-09
Annual Operating Budget
Context

Part 1

Current Law

Part 2

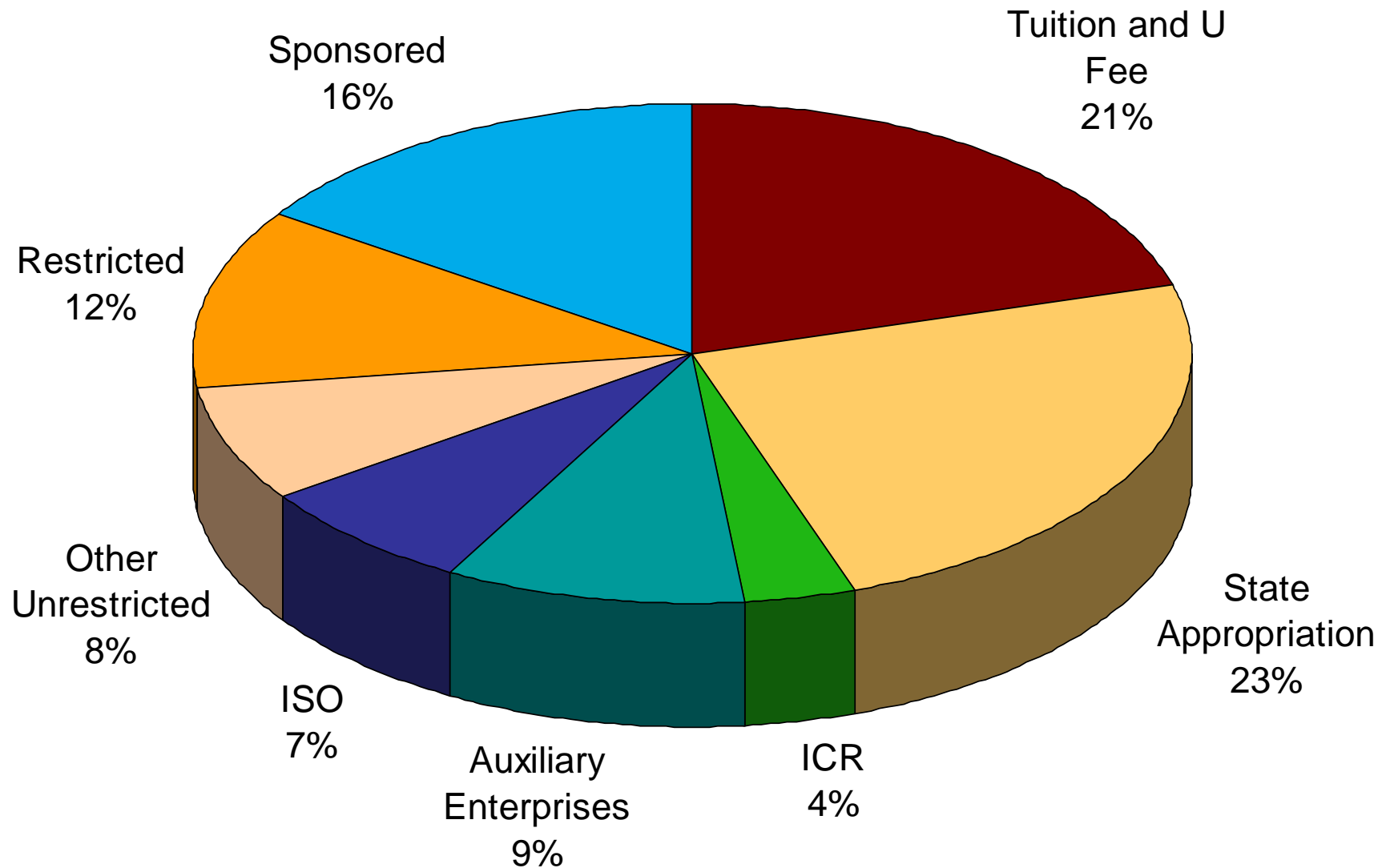
Contingent Planning

Fiscal Year 2008 – 09 Annual Operating Budget Principles

- Hold tuition revenue increase at 7.5%
- Allocate required funds for Founders Free Tuition Program and Year 2 of Middle Income Scholarship Program
- Honor commitment to the 3.25% general compensation increase
- Advance strategic positioning initiatives
- Address structural imbalances and existing operating budget challenges
- Meet legal and contractual requirements
- Focus on cost containment and productivity
- Leverage recurring central resources with unit level resources to maximize overall investment

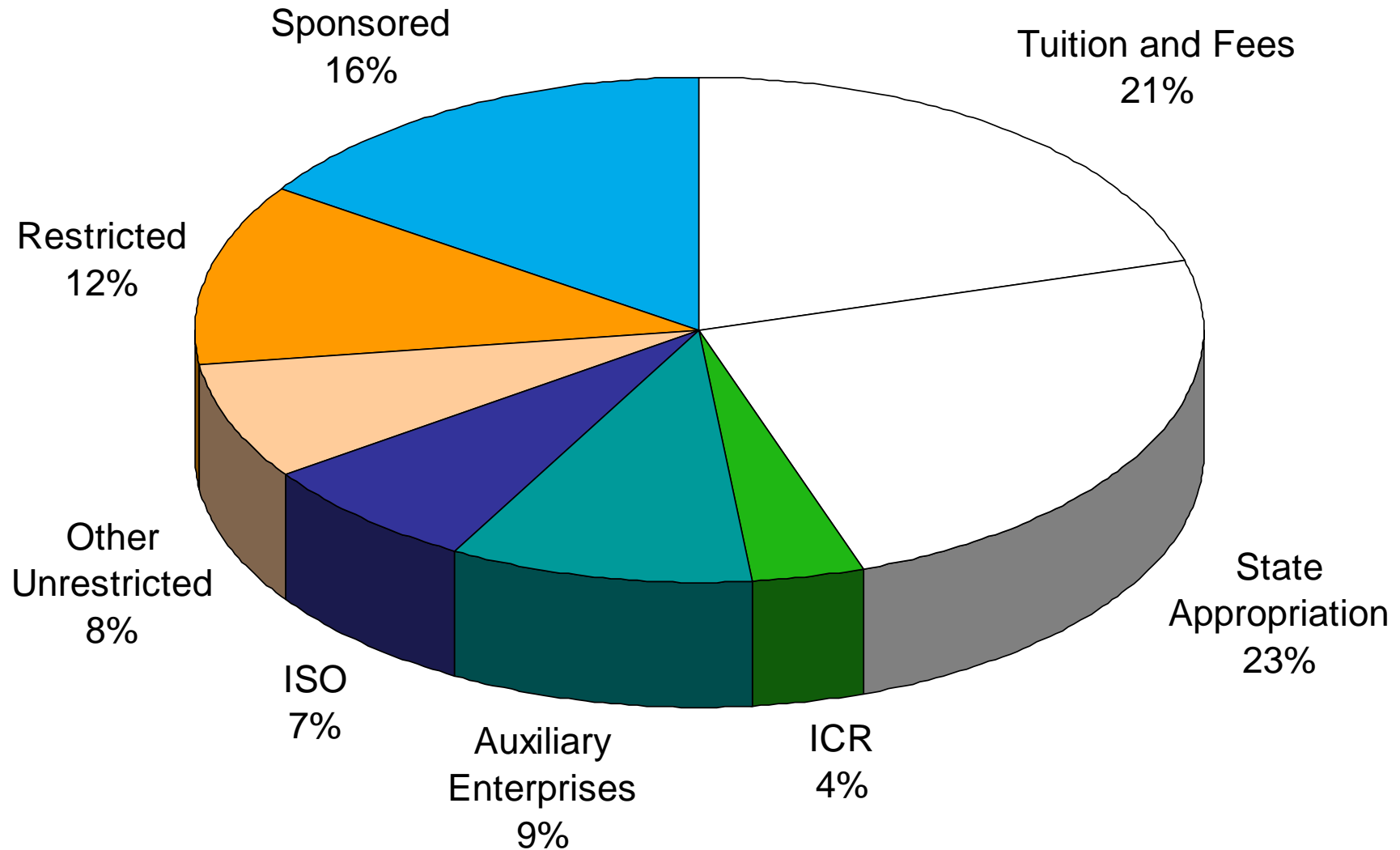
University of Minnesota Revenue Sources

All Funds FY2008-09: \$3.0 Billion



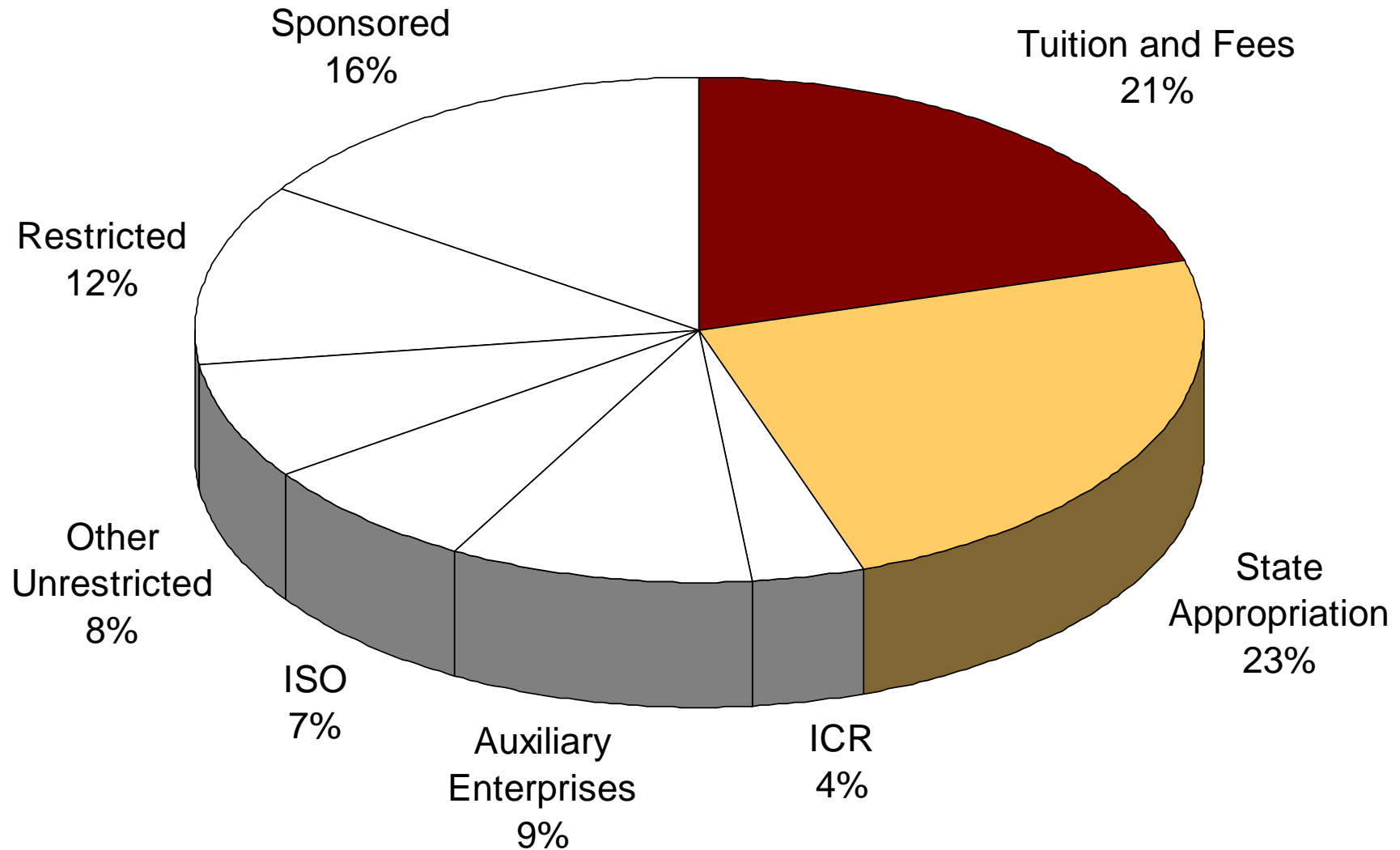
University of Minnesota Revenue Sources

All Funds FY2008-09: \$3.0 Billion



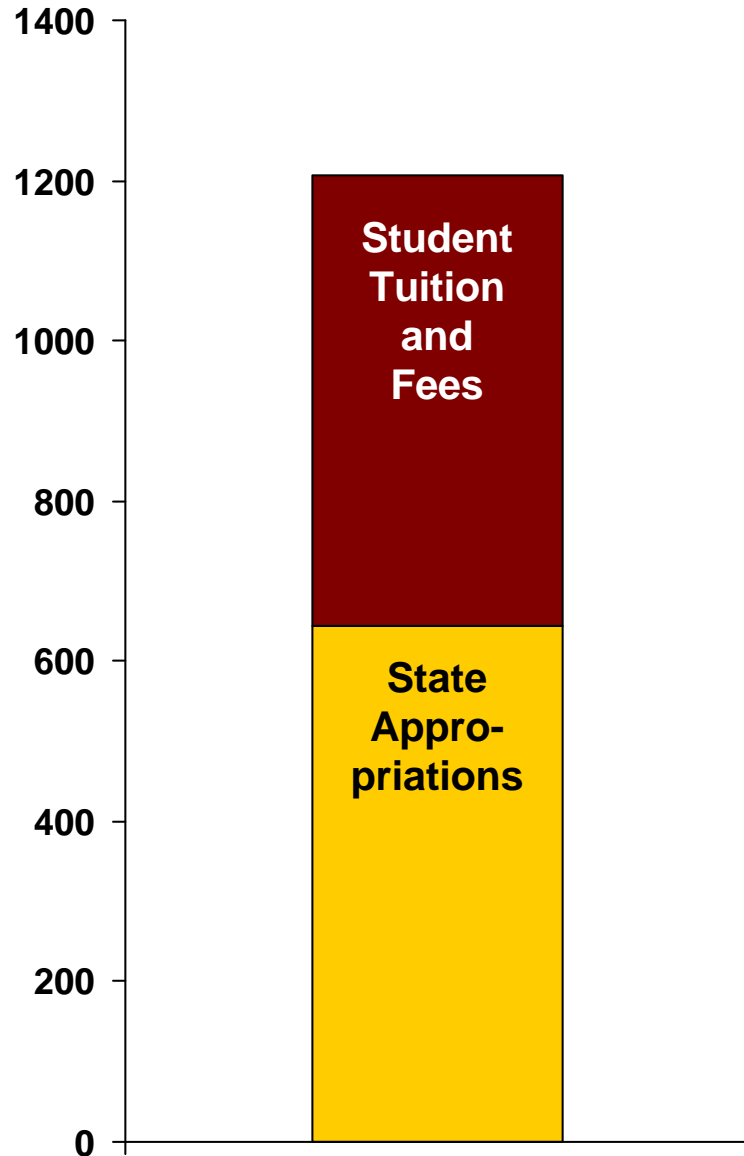
University of Minnesota Revenue Sources

All Funds FY2008-09: \$3.0 Billion



Tuition and State Appropriations

FY 2008-09 Revenues: \$1.3 billion



Why Are These Revenues So Important?

- 70% of total spending on instruction
- 77% of total spending on student services
- 72% of total spending on faculty compensation
- 93% of the total budget of CLA
- 78% of the total budget of IT
- 75% of the total budget of CFANS

FY2008-09 Resources Supporting New Investments – Current Law Appropriation

Resources

New State Appropriations \$16,600,000

Student Tuition & Fee \$37,300,000

Other Institutional Resources \$17,600,000

Uncommitted FY2008 Appropriation \$4,800,000

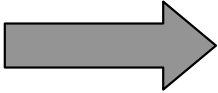
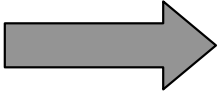
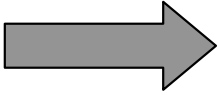
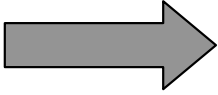
Unobligated Carry forward \$7,100,000

Other Institutional Revenues \$5,700,000

University Internal Reallocations \$ 5,300,000

Total Resources \$ 76,800,000

FY2008-09 Proposed New Investments Current Law Appropriations

Exceptional Students		\$12,500,000
Exceptional Faculty & Staff		\$33,800,000
Exceptional Organization		\$15,600,000
Exceptional Innovation		\$14,900,000
		<hr/>
		\$ 76,800,000

Fiscal Year 2008-09 Tuition Plan

Tuition and University Fee – Average Changes for FY09

	09 Tuition & <u>U Fee</u>	09 \$ Increase <u>Over 07</u>	09 % Increase <u>Over 07</u>	09 Resident <u>Scholarship*</u>	09 Effective % <u>Increase</u>
Undergraduate					
Twin Cities	\$9,621	\$671	7.50%	\$224	7.60%
Crookston	\$8,007	\$559	7.50%	\$186	6.90%
Duluth	\$9,353	\$653	7.50%	\$218	5.00%
Morris	\$9,353	\$653	7.50%	\$218	5.00%
Graduate School	\$11,546	\$806	7.50%	\$0	7.50%

Professional — Rate increases vary based on market considerations. Most are around 7.5% increase with outliers of 3.4% for 1st year Medical School students and 9.5% for Law School students.

* Year 2 of 2-year scholarship designed to limit the tuition increase for resident undergraduate students with family incomes below \$150,000.

University of Minnesota

Fiscal Year 2007-08 Operating Budget

Cost of Attendance

Twin Cities Campus, Undergraduate – Pell Eligible - 0 EFC (Expected Family Contribution) with Founders Free Tuition Scholarship

	<u>2007-08</u>	<u>2008-09</u>	<u>\$ Increase</u>	<u>% Increase</u>
Tuition (Full-time, 13 credits)	\$7,950	\$8,521	\$571	7.2
University Fee	1,000	1,100	100	10.0
Net Tuition & U Fee	\$8,950	\$9,961	671	7.5
Student Services Fees	648	673	25	3.8
Technology Fee (avg.)	294	304	10	3.4
Transportation Fee	32	32	0	0.0
Stadium Fee	25	25	0	0.0
Other Required Fees*	3	4	1	33.3
Subtotal Tuition/Required Fees	\$9,952	\$10,659	\$707	7.1
Room & Board	\$7,062	\$7,280	\$218	3.1
Total Cost of Attendance	\$17,014	\$17,939	\$925	5.4
Founders Scholarship	-\$12,809	\$13,516	-\$707	-5.5
Net Total Cost of Attendance	\$4,205	\$4,423	\$218	5.2%

* Council of College Boards, MN Student Assoc., Student Emergency Loan Fund

University of Minnesota

Fiscal Year 2007-08 Operating Budget

Cost of Attendance

Twin Cities Campus, Resident Undergraduate – Family Income \$150,000 or Less

	<u>2007-08</u>	<u>2008-09</u>	<u>\$ Increase</u>	<u>% Increase</u>
Tuition (Full-time, 13 credits)	\$7,950	\$9,621	\$671	7.5
University Fee	1,000	\$1,100	100	10.0
Resident Scholarship	-\$221	-224	-3	-1.3
Net Tuition & U Fee	\$8,729	\$9,367	\$166	1.9
Student Services Fees	648	673	25	3.8
Technology Fee (avg.)	294	304	10	3.4
Transportation Fee	32	32	0	0.0
Stadium Fee	25	25	0	0.0
Other Required Fees*	3	4	1	33.3
Subtotal Tuition/Required Fees	\$9,731	10,435	\$704	7.2
Room & Board	\$7,062	\$7,280	\$218	3.1
Total Cost of Attendance	\$16,793	\$17,715	\$922	5.5%

* Council of College Boards, MN Student Assoc., Student Emergency Loan Fund

University of Minnesota

Fiscal Year 2007-08 Operating Budget

Cost of Attendance

Twin Cities Campus, Resident Undergraduate – Family Income \$150,000 or more

	<u>2007-08</u>	<u>2008-09</u>	<u>\$ Increase</u>	<u>% Increase</u>
Tuition (Full-time, 13 credits)	\$7,950	\$9,621	\$671	7.2
University Fee	1,000	\$1,100	100	10.0
Net Tuition & U Fee	\$8,729	\$9,367	\$761	7.5
Student Services Fees	648	673	25	3.8
Technology Fee (avg.)	294	304	10	3.4
Transportation Fee	32	32	0	0.0
Stadium Fee	25	25	0	0.0
Other Required Fees*	3	4	1	33.3
Subtotal Tuition/Required Fees	\$9,731	10,659	\$707	7.1
Room & Board	\$7,062	\$7,280	\$218	3.1
Total Cost of Attendance	\$16,793	\$17,939	\$925	5.4%

* Council of College Boards, MN Student Assoc., Student Emergency Loan Fund

University of Minnesota

Fiscal Year 2007-08 Operating Budget

Cost of Attendance

Crookston Campus, Resident Undergraduate – Family Income \$150,000 or Less

	<u>2007-08</u>	<u>2008-09</u>	<u>\$ Increase</u>	<u>% Increase</u>
Tuition (Full-time, 13 credits)	\$6,448	\$6,907	\$459	7.1
University Fee	1,000	1,100	100	10.0
Resident Scholarship	-\$130	-186	-56	-1.2
Net Tuition & U Fee	<u>\$7,318</u>	<u>\$7,821</u>	<u>503</u>	<u>6.9</u>
Student Services Fees	373	393	20.0	5.4
Technology Fee (avg.)	1,000	1,000	0.0	0.0
Subtotal Tuition/Required Fees	\$8,691	\$9,214	523	6.0
Room & Board	<u>\$5,692</u>	<u>\$5,950</u>	<u>\$258</u>	<u>4.5</u>
<i>Total Cost of Attendance</i>	<u>\$14,283</u>	<u>\$15,164</u>	<u>\$781</u>	<u>5.4%</u>

University of Minnesota

Fiscal Year 2007-08 Operating Budget

Cost of Attendance

Duluth Campus, Resident Undergraduate – Family Income \$150,000 or Less

	<u>2007-08</u>	<u>2000-09</u>	<u>\$ Increase</u>	<u>% Increase</u>
Tuition (Full-time, 13 credits)	\$7,700	\$8,253	\$553	7.2
University Fee	1,000	1,100	100	10.0
Resident Scholarship	n/a	-218	-218	n/a
Net Tuition & U Fee	\$8,700	\$9,135	435	5.0
Student Services Fees	488	509	21	4.3
Collegiate equipment technology fee	282	282	0	0.0
Computer Network access fee	130	140	10	3.2
Subtotal Tuition/Required Fees	\$9,600	\$10,066	\$466	4.9
Room & Board	\$5,904	\$6,078	\$174	3.1
Total Cost of Attendance	\$15,504	\$16,144	\$640	4.1%

University of Minnesota

Fiscal Year 2007-08 Operating Budget

Cost of Attendance

Morris Campus, Resident Undergraduate – Family Income \$150,000 or Less

	<u>2007-08</u>	<u>2008-09</u>	<u>\$ Increase</u>	<u>% Increase</u>
Tuition (Full-time, 13 credits)	\$7,700	\$8,253	\$553	7.2
University Fee	1,000	1,100	100	10.0
Resident Scholarship	n/a	-218	-218	-1.3
Net Tuition & U Fee	\$8,700	\$9,135	\$435	5.0
Student Services Fees	178	178	0	0.0
Technology Fee (avg.)	105	105	0	0.0
Other Required Fees*	348	383	35	10.1
Subtotal Tuition/Required Fees	\$9,331	\$9,801	\$470	5.0
Room & Board	\$6,370	\$6,710	\$340	5.3
Total Cost of Attendance	\$15,701	\$16,511	\$810	5.2%

* Health services fee, U center fee, Athletics fee, RFC fee

**All-Funds Budget Structure
FY2007-08**

**Sponsored Funds
\$0.5 Billion**

**Non-Sponsored Funds
\$2.6 Billion**

**Local Unit Generated Revenues
\$1.1 Billion**

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

**\$285 Million
Auxiliary
Operations**

**\$815 Million
Clinical Income
Restricted Income
Grants & Contracts
Business & Industry
Sales & Services
Fees
Endowment Income**

State O & M/Other Misc.

State Specials

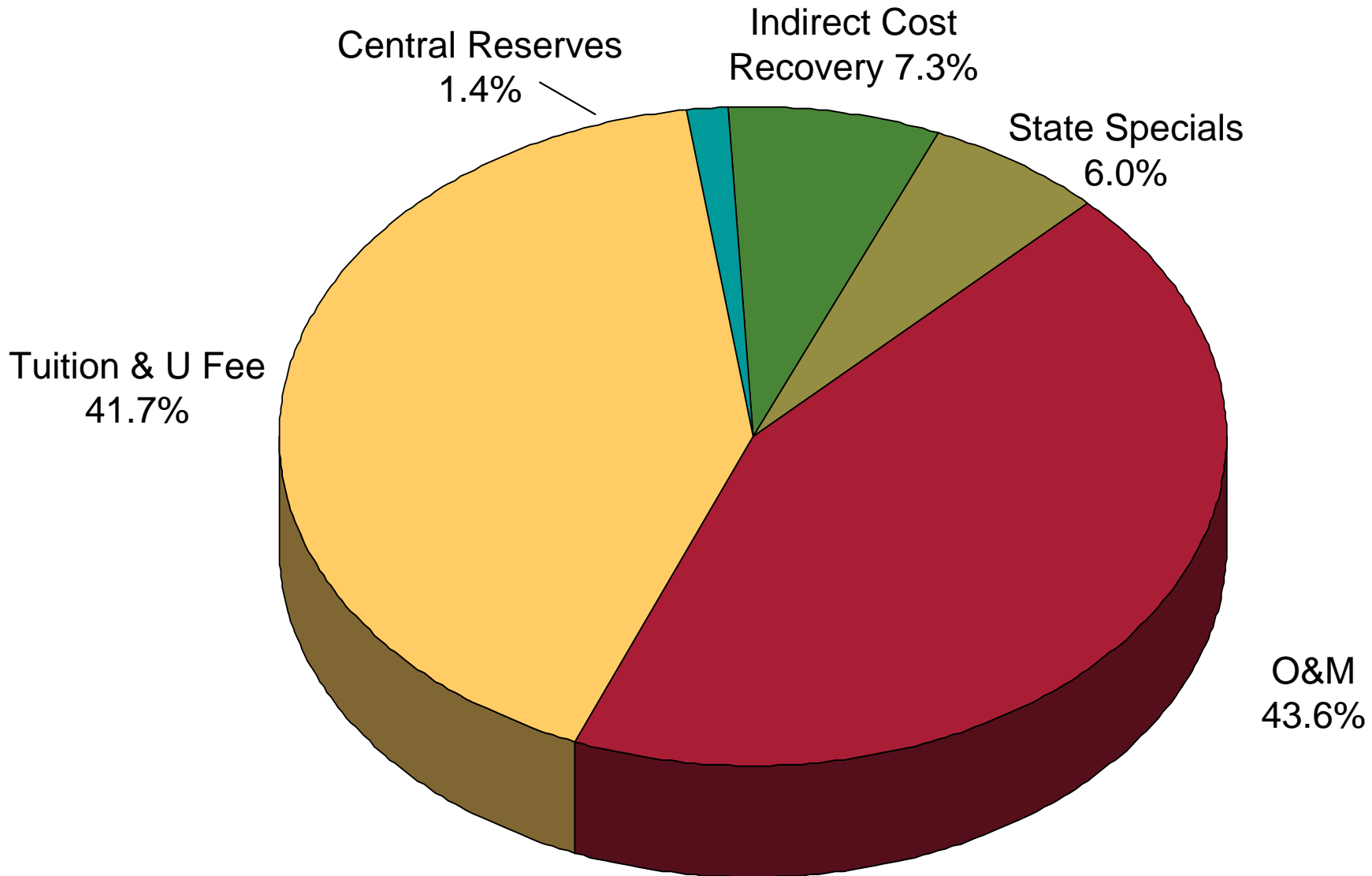
Tuition

University Fee

Indirect Cost Recovery

Central Reserves

Centrally Attributed and Distributed Revenues FY2008-09 Operating Budget: \$1,496,866,892



University of Minnesota

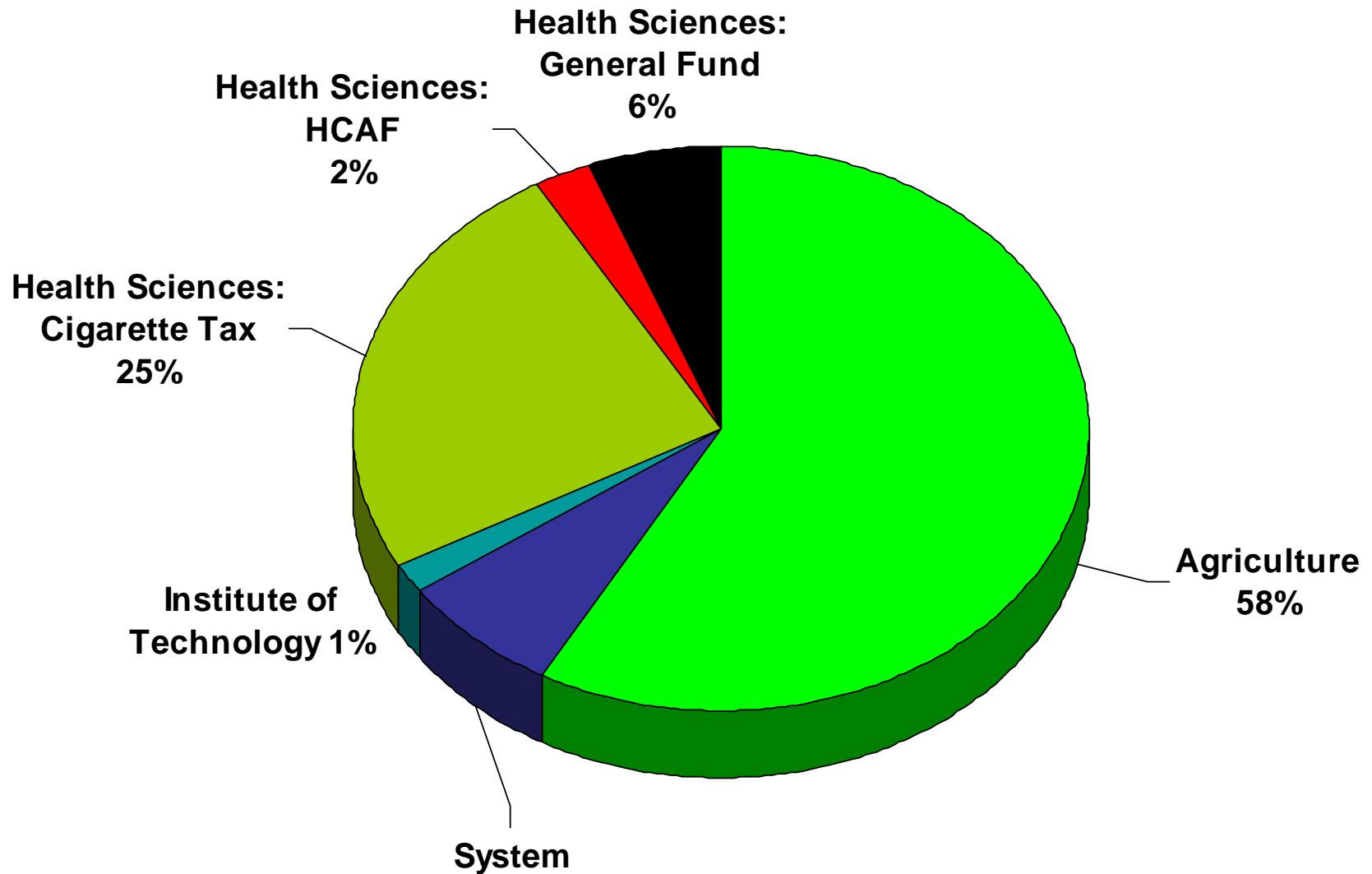
Higher Education Bill FY2007-08 & 2008-09 Appropriations

Subd. 2. Operations and Maintenance	621,184,000	637,824,000
Subd. 3. Health Care Access Fund	2,157,000	2,157,000
This appropriation is from the health care access fund and is for primary care education initiatives.		
Subd. 4. Special Appropriation	66,388,000	65,388,000
(a) Agriculture and Extension Service	53,175,000	52,175,000
For the Agricultural Experiment Station, Minnesota Extension Service.		
(b) Health Sciences	5,275,000	5,275,000
For the rural physicians associates program, the Veterinary Diagnostic Laboratory, health sciences research, dental care, and the Biomedical Engineering Center.		
(c) Institute of Technology	1,387,000	1,387,000
For the Geological Survey and the Talented Youth Mathematics Program.		
(d) System Specials	6,551,000	6,551,000
For general research, student loans matching money, industrial relations education, Natural Resources Research Institute, Center for Urban and Regional Affairs, Bell Museum of Natural History, and the Humphrey exhibit.		
Subd. 5 & 6. 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. \$25,000,000 the first year is for UM/Mayo Partnership		

Centrally Attributed and Distributed Funds Operations and Maintenance Fund

	A FY2007-08	B FY2008-09	B-A Change
	<hr/>	<hr/>	<hr/>
Balance Forward	\$ 1,809,170	\$ 4,696,142	\$ 2,886,972
Revenues	\$ 636,043,774	\$ 652,898,583	\$ 16,854,809
Interfund Transfers	\$ 12,948,103	\$ 15,077,103	\$ 2,129,000
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Total Resources	\$ 650,801,047	\$ 672,671,828	\$ 21,870,781
Allocations	\$ 646,104,905	\$ 672,640,517	\$ 26,535,612
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Ending Balance	\$ 4,696,142	\$ 31,311	(\$ 4,664,831)

University of Minnesota
State Specials – All Sources
\$89,795,000 FY2008-09



University of Minnesota State Specials – FY2008-09

- Agriculture: \$52.2 Million
 - Agriculture Experiment Stations
 - Minnesota Extension Service
- Health Sciences: \$5.3 Million
 - Biomedical Engineering
 - Rural Physicians Program
 - Public Health Sciences Research
 - AHC Research and Public Service
 - Vet. Diagnostic Lab

- Health Sciences: \$24.4 Million
 - Health Care Access Fund: \$2.2M
 - AHC Education Programs/Cigarette Tax: \$22.2M
- Institute of Technology: \$1.4M
 - Minnesota Geological Survey
 - Talented Youth Mathematics
- System: \$6.6M
 - Bell Museum
 - Urban & Regional Affairs Ctr.
 - General Research
 - UMD Business & Economic Research
 - Industrial Relations Education
 - NRRI
 - Student Loan Matching Program
 - Humphrey Forum

Centrally Attributed and Distributed Funds State Specials

	A FY2007-08	B FY2008-09	B-A Change
Balance Forward	\$ -	\$ -	\$ -
Revenues	\$ 115,795,000	\$ 89,795,000	(\$ 26,000,000)
Interfund Transfers	\$ -	\$ -	\$ -
Total Resources	\$ 115,795,000	\$ 89,795,000	(\$ 26,000,000)
Allocations	<u>\$ 115,795,000</u>	<u>\$ 89,795,000</u>	<u>(\$ 26,000,000)</u>
Ending Balance	\$ -	\$ -	\$ -

Centrally Attributed and Distributed Funds Tuition

	A FY2007-08	B FY20008-09	B-A Change
Balance Forward	\$ (2,033,634)	\$ -	\$ 2,033,634
Revenues	\$ 532,056,949	\$ 563,954,812	\$ 31,897,863
Interfund Transfers	\$ -	\$ -	\$ -
Total Resources	\$ 530,023,315	\$ 563,954,812	\$ 33,931,497
Allocations	<u>\$ 530,023,315</u>	<u>\$ 563,954,812</u>	<u>\$ 33,931,497</u>
Ending Balance	\$ -	\$ -	\$ -

Centrally Attributed and Distributed Funds University Fee

	A FY2007-08	B FY2008-09	B-A Change
Balance Forward	(\$ 2,413,207)	\$ 0	\$ 2,413,207
Revenues	\$ 55,305,068	\$ 59,767,343	\$ 4,462,275
Interfund Transfers	\$ 2,272,024	\$ 0	(\$ 2,272,024)
Total Resources	\$ 55,163,885	\$ 59,767,343	\$ 2,496,294
Allocations	\$ 55,163,885	\$ 59,767,343	\$ 2,496,294
Ending Balance	\$ 0	\$ 0	\$ 0

Centrally Attributed and Distributed Funds Indirect Cost Recovery

	A FY2006-07	B FY2007-08	B-A Change
Balance Forward	\$ 5,365,767	\$ 2,415,743	(\$ 2,950,024)
Revenues	\$ 106,527,124	\$ 109,226,154	\$ 2,699,030
Interfund Transfers	(\$ 2,272,024)	(\$ 2,379,000)	(\$ 106,976)
Total Resources	\$ 109,620,867	\$ 109,262,897	(\$ 357,970)
Allocations	\$ 107,205,124	\$ 109,226,154	\$ 2,021,030
Ending Balance	\$ 2,415,743	\$ 36,743	(\$ 2,379,000)

Centrally Attributed and Distributed Funds Central Reserves

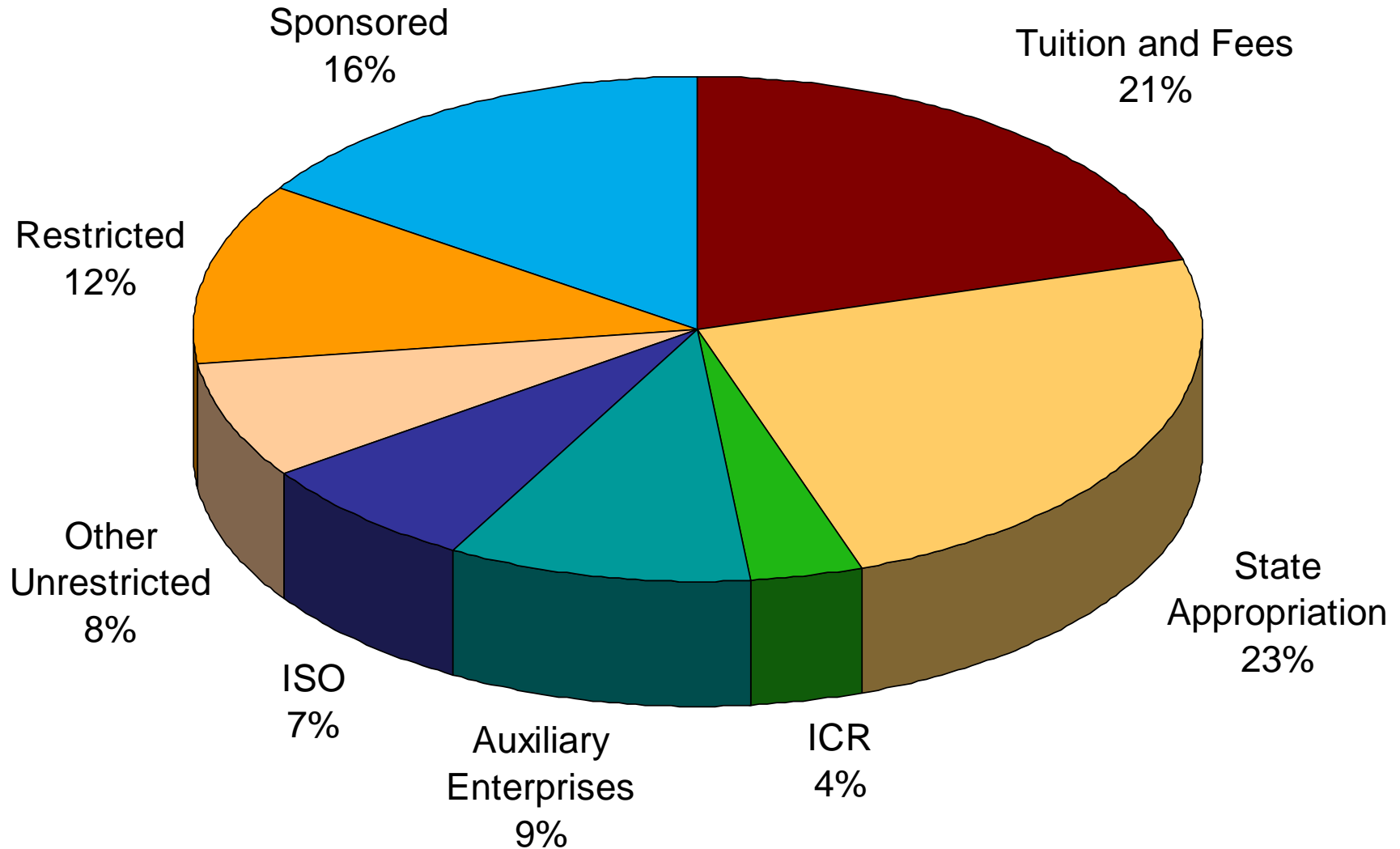
	A FY2007-08	B FY2008-09	B-A Change
Balance Forward	\$ 31,411,035	\$ 25,426,959	(\$ 5,984,076)
Revenues	\$ 24,500,000	\$ 21,225,000	(\$ 3,275,000)
Interfund Transfers	(\$ 12,948,103)	(\$12,698,103)	(\$ 2,250,000)
Total Resources	\$ 42,962,932	\$ 33,953,856	(\$ 9,009,076)
Allocations	\$ 17,535,973	\$ 4,805,000	(\$ 12,736,973)
Ending Balance	\$ 25,426,959	\$ 29,148,856	\$ 3,721,897

Centrally Attributed and Distributed Funds
Central Reserves

Central Reserves Revenue Estimate		
A. Average TIP Balance	\$	505,000,000
Interest Rate		3.1%
Earnings	\$	15,655,000
B. Average TIP in CEF	\$	120,000,000
Payout		4.6%
	\$	5,520,000
C. Net Other Revenue	\$	50,000
Grand Total Revenue	\$	21,225,000

University of Minnesota Revenue Sources

All Funds FY2008-09: \$3.0 Billion



Recommended FY2008 – 09 Operating Budget:
Current Non-Sponsored Funds

Beginning Balance	\$ 600,759,922
Revenues & Net Transfers	<u>\$2,468,832,117</u>
Total Net Resources	\$3,069,592,039
Expenditures	\$2,493,807,916
Ending Balance	\$ 575,784,123

Part 2
Contingency Planning – Fiscal Year 2008-09

Original Biennial Budget Proposal
\$64.5 Million State Budget Increase

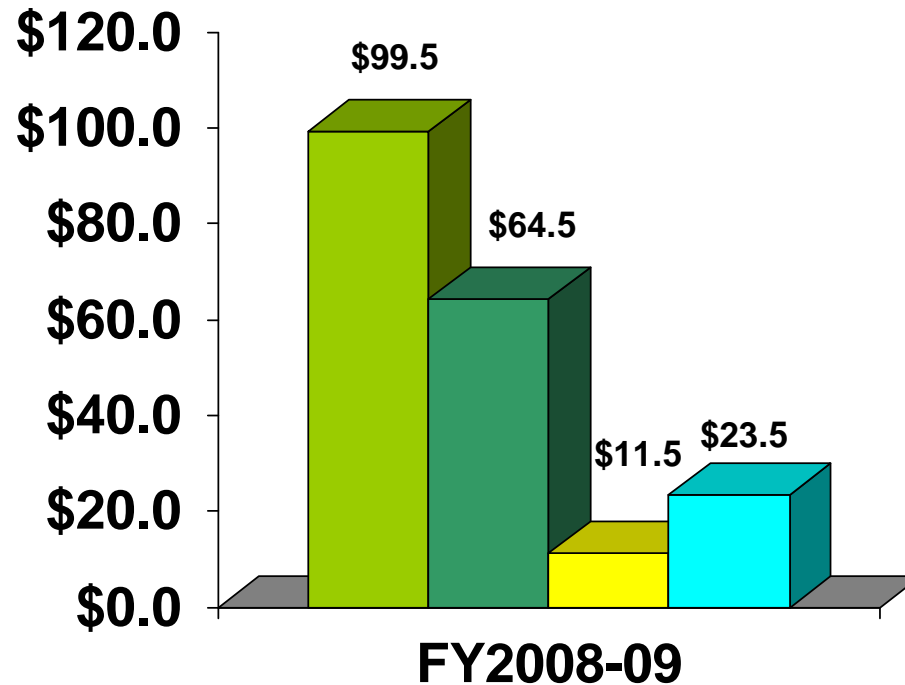
President's Recommended FY2008-09 Budget
"Current Law" - \$16.6 Million State Budget Increase

Scenario 1: \$27.0 Million State Budget Reduction

Scenario 2: \$10.0 Million State Budget Reduction

Contingency Planning – Fiscal Year 2008-09

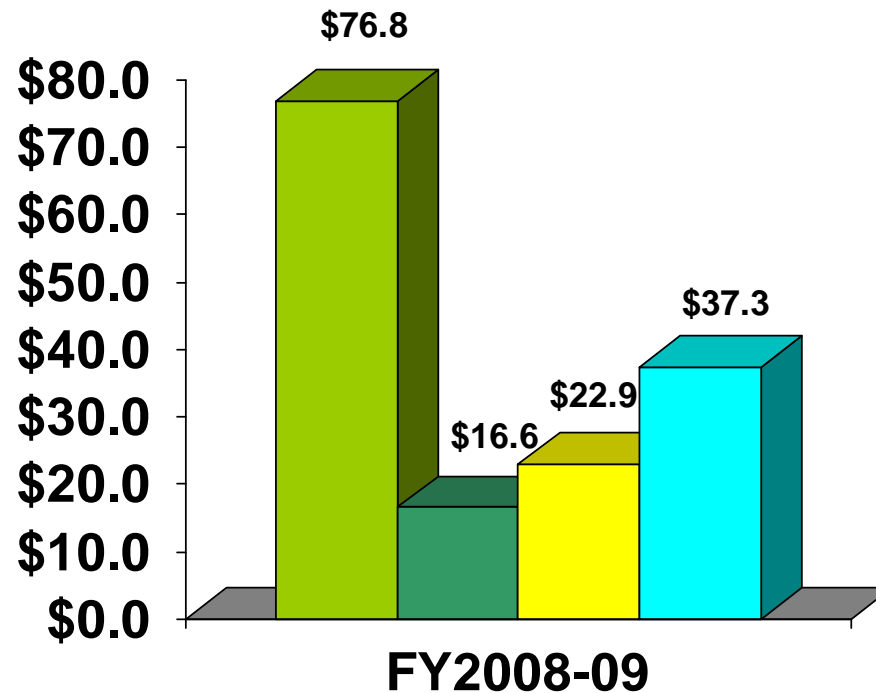
Original Biennial Budget Proposal
\$64.5 Million State Budget Increase



■ Total Investment Plan	■ State Appropriations
■ University Responsibility	■ Student Share

Contingency Planning – Fiscal Year 2008-09

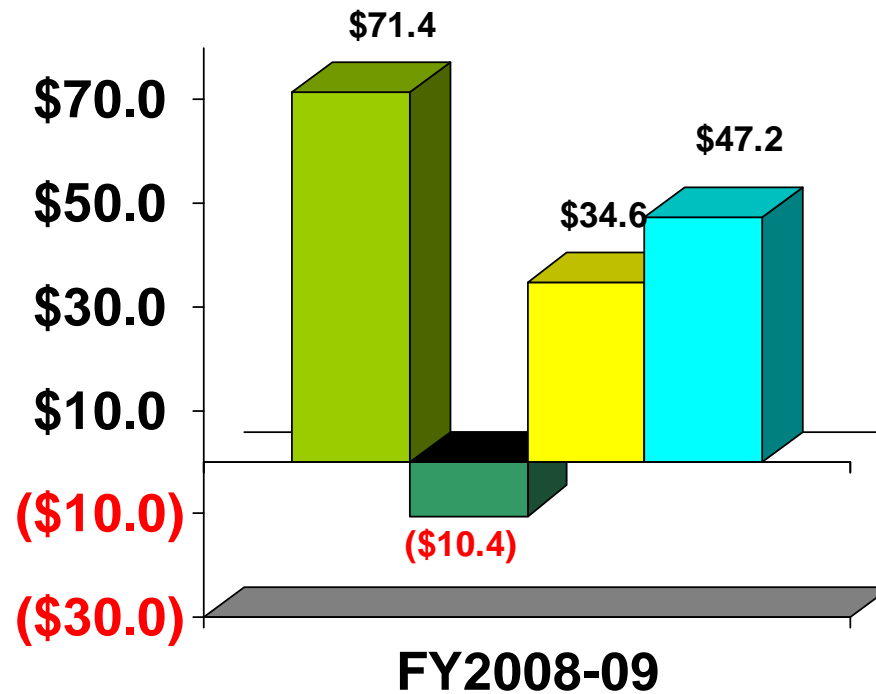
President's Recommended FY2008-09 Budget
"Current Law" - \$16.6 Million State Budget Increase



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|---|---|
| ■ Total Investment Plan | ■ State Appropriations |
| ■ University Responsibility | ■ Student Share |

Contingency Planning – Fiscal Year 2008-09

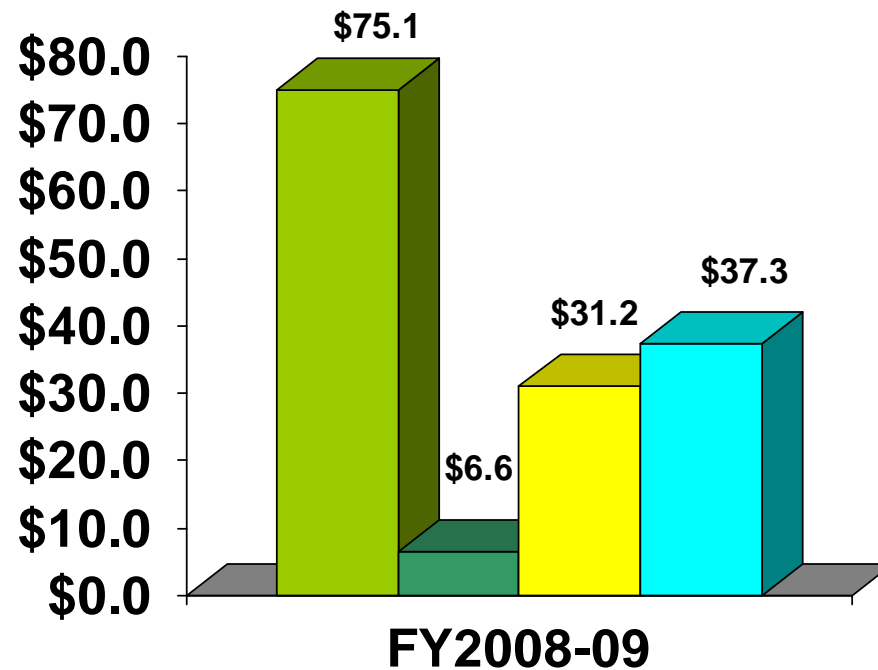
Scenario 1: \$27.0 Million State Budget Reduction



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| ■ Total Investment Plan | ■ State Appropriations |
| ■ University Responsibility | ■ Student Share |

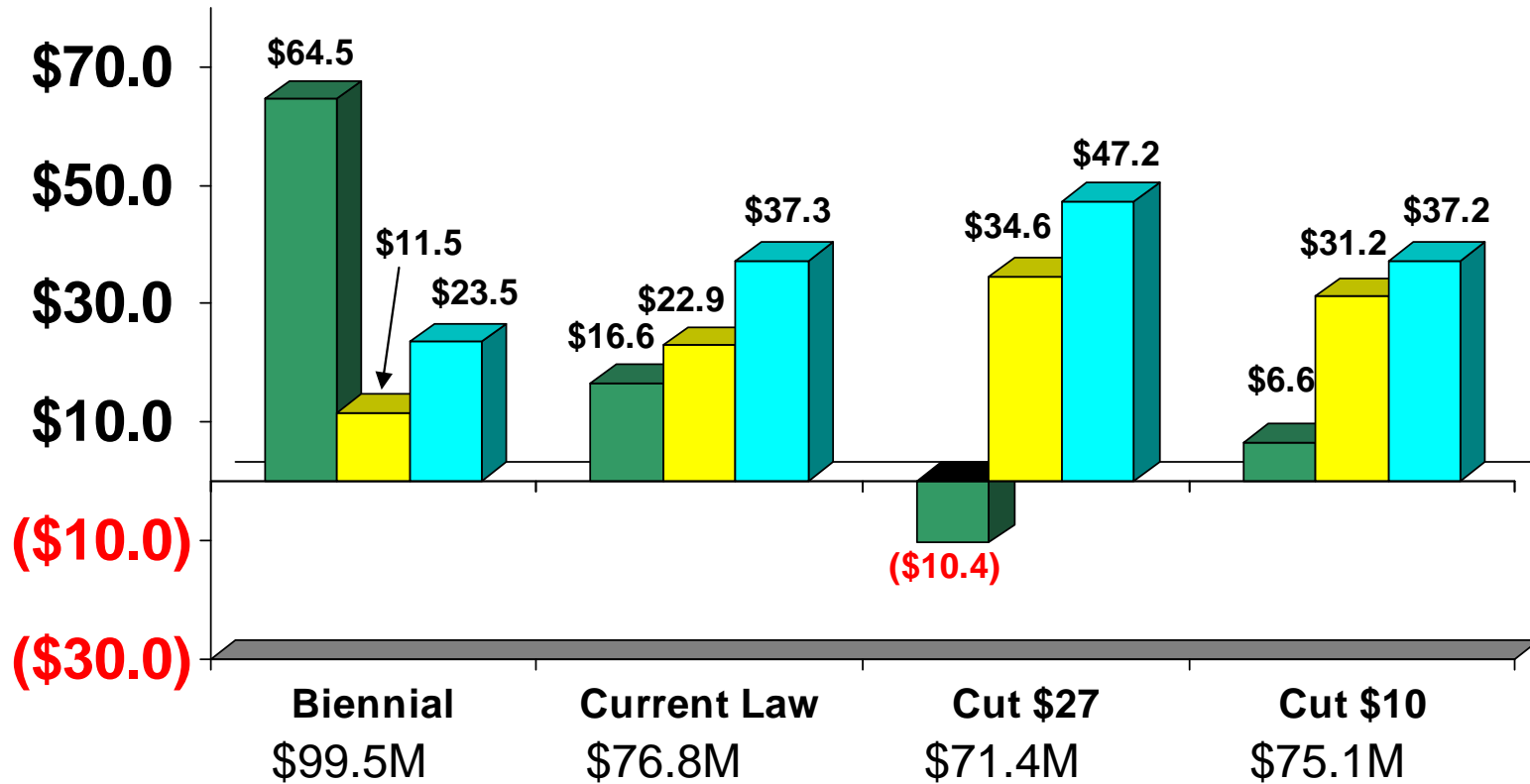
Contingency Planning – Fiscal Year 2008-09

Scenario 2: \$10.0 Million State Budget Reduction

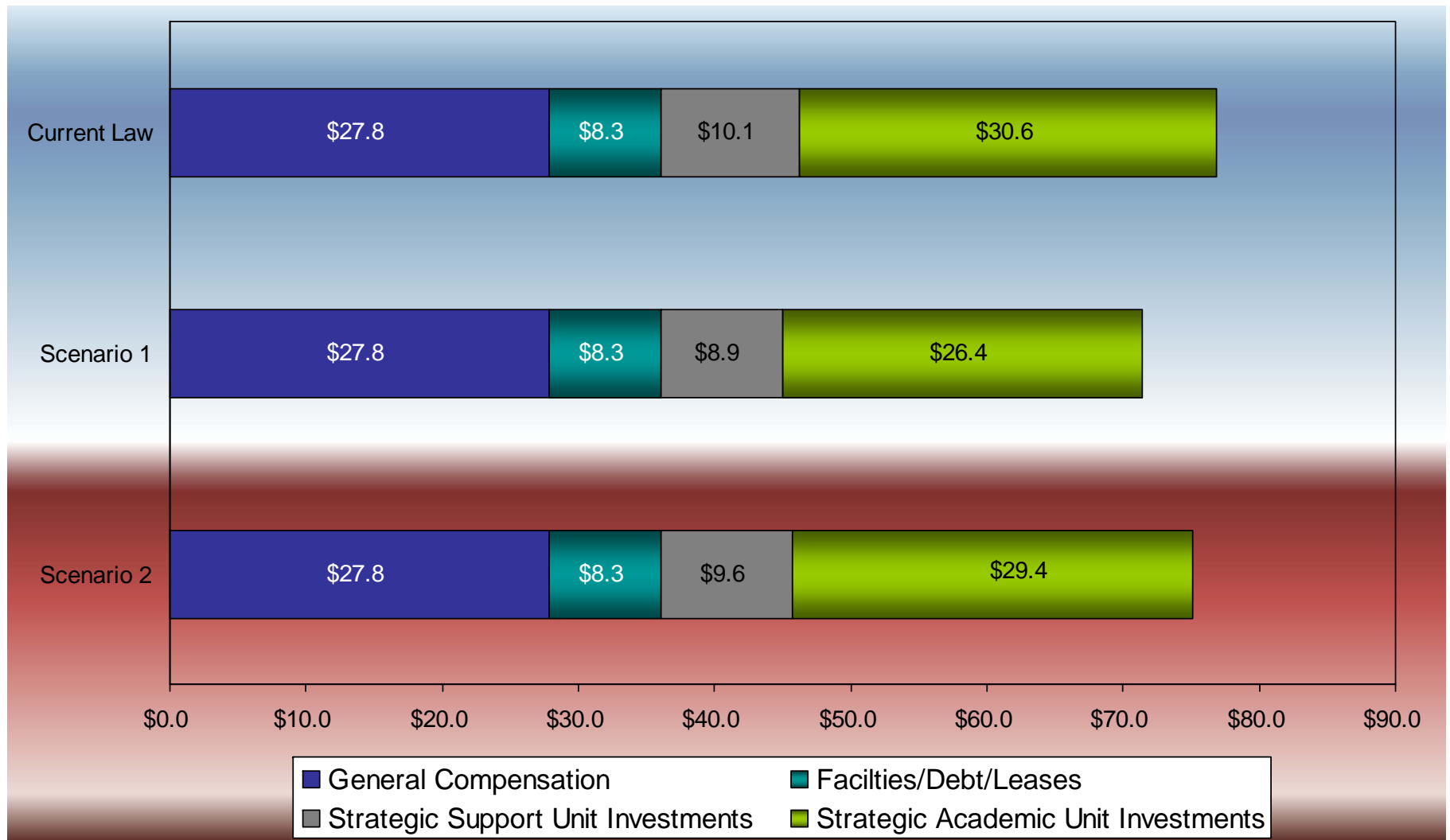


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|  Total Investment Plan |  State Appropriations |
|  University Responsibility |  Student Share |

University of Minnesota Contingency Planning – Fiscal Year 2008-09

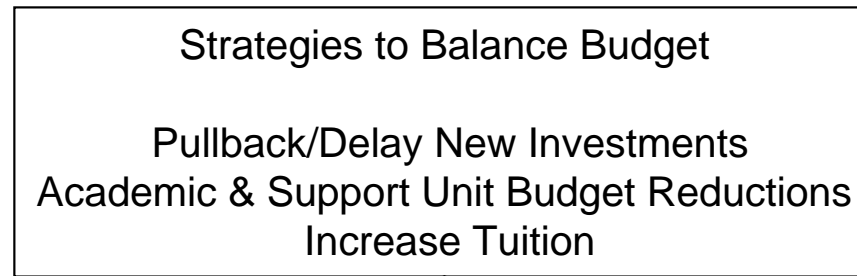


University of Minnesota Fiscal Year Operating Budget Allocations Major Expenditure Categories



President's Recommended Operating Budget
Fiscal Year 2008-09
Resolution

Fiscal Year 2008 – 09 Annual Operating Budget Alternative Budget Scenarios



Scenario 1

State Appropriation Cut \$27.0 Million

- Maintain General Compensation Plan @ 3.25%
- Focus available funds on maintaining operations
- Modest Delay/Pullback on New Investments
- Significant Unit Budget Reductions
- 2.0% Tuition Increase Above Planned 7.5%

Scenario 2

State Appropriation Cut \$10.0 Million

- Maintain General Compensation Plan @ 3.25%
- Focus available funds on maintaining operations
- Minor Delay/Pullback on New Investments
- Modest Unit Budget Reductions
- No Tuition Increase Above Planned 7.5%

Spare Slides



UNIVERSITY OF MINNESOTA
Driven to DiscoverSM

Conceptual biennial budget framework

	FY 2008	FY 2009	BIENNIAL TOTAL
SUSTAINING QUALITY AND COMPETITIVENESS			
<i>UNIVERSITY REALLOCATION</i>	\$11.5 M	\$23.0 M	\$34.5 M
<i>TUITION</i>	\$22.4 M	\$45.9 M	\$68.3 M
<i>STATE INVESTMENT</i>	\$33.1 M	\$65.7 M	\$98.8 M
CREATING MINNESOTA'S FUTURE			
<i>STATE INVESTMENT</i>	\$25.8 M	\$57.7 M	\$83.5 M
NEW STATE FUNDS			\$182.3 M
TOTAL INVESTMENTS			\$285.1 M

Role of Budget Reserves in Balancing University Budget

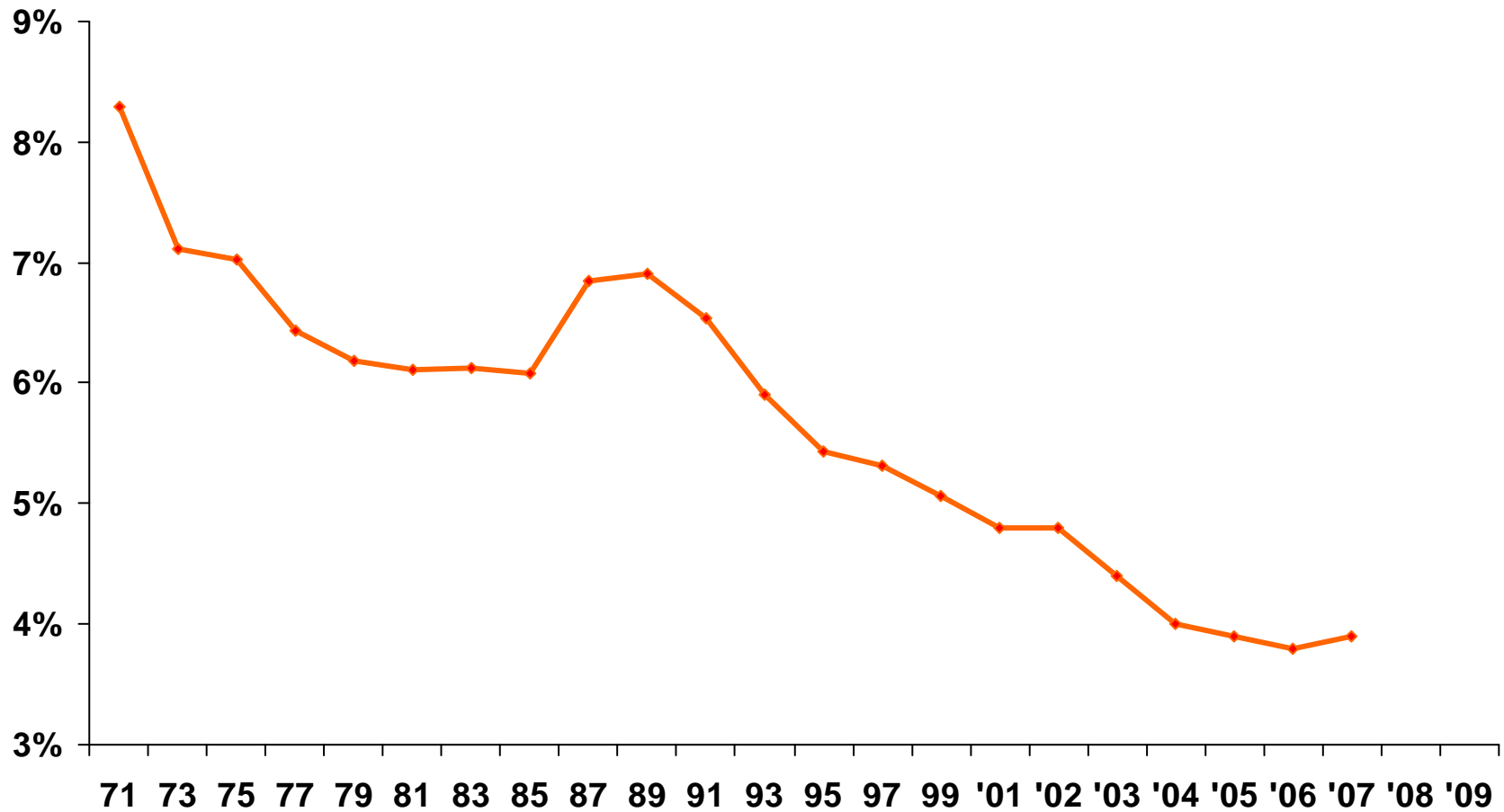
- University Policy:

- Unexpended funds do not cancel to central accounts at fiscal year end
- All balances remain in the 40,000 fund-area-orgs
- Balance are calculated at close of each fiscal year
- Balances are incorporated into annual budget development discussion
- Year end balances are routinely monitored
- Structural imbalances monitored by central budget office
- Deficit spending not allowed
- University TIP balances monitored on a daily basis

- Role of Unit Reserves in Budget Process:

- Units encouraged to establish revenue reserves
- Units responsible for managing a wide range of expenditure requirements
 - ✓ equipment replacement
 - ✓ Employee severance costs
 - ✓ Cash flow for operations
 - ✓ Facility repairs
 - ✓ Programmatic enhancements
- Units have authority to use reserves as a tool to bridge budget reductions with limits of 12 – 18 months

State General Fund Appropriations for the U of M as a Percentage of Total State Spending



University of Minnesota Fiscal Year Incremental Operating Budget Allocations Current Law Appropriation

