

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2006-07
	FY2004	FY2005	FY2006	FY2007	
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	290	291	291	291	582
Recommended	290	291	2,237	2,237	4,474
Change		0	1,946	1,946	3,892
% Biennial Change from 2004-05					670.1%
General					
Current Appropriation	547,284	550,067	550,067	550,067	1,100,134
Recommended	547,284	550,067	608,567	612,067	1,220,634
Change		0	58,500	62,000	120,500
% Biennial Change from 2004-05					11.2%
Health Care Access					
Current Appropriation	2,157	2,157	2,157	2,157	4,314
Recommended	2,157	2,157	2,157	2,157	4,314
Change		0	0	0	0
% Biennial Change from 2004-05					0%
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	290	291	2,237	2,237	4,474
General	547,284	550,067	608,567	612,067	1,220,634
Health Care Access	2,157	2,157	2,157	2,157	4,314
Open Appropriations					
Special Revenue	23,359	21,861	21,644	21,429	43,073
Statutory Appropriations					
Miscellaneous Agency	5,600	4,918	5,858	5,862	11,720
Total	578,690	579,294	640,463	643,752	1,284,215
<u>Expenditures by Category</u>					
Local Assistance	578,690	579,294	640,463	643,752	1,284,215
Total	578,690	579,294	640,463	643,752	1,284,215
<u>Expenditures by Program</u>					
Maintenance & Operations	547,284	550,067	593,567	612,067	1,205,634
Medical Education	25,516	24,018	23,801	23,586	47,387
Permanent University Fund	5,600	4,918	5,858	5,862	11,720
Lcmr/Mn Resources	290	291	2,237	2,237	4,474
Special Projects	0	0	15,000	0	15,000
Total	578,690	579,294	640,463	643,752	1,284,215

<i>Dollars in Thousands</i>				
	FY2005	Governor's Recomm.		Biennium
		FY2006	FY2007	2006-07
<i>Fund: ENVIRONMENT & NATURAL RESOURCE</i>				
FY 2005 Appropriations	291	291	291	582
Technical Adjustments				
One-time Appropriations		(291)	(291)	(582)
Subtotal - Forecast Base	291	0	0	0
Change Items				
LCMR Projects	0	2,237	2,237	4,474
Total Governor's Recommendations	291	2,237	2,237	4,474
<i>Fund: GENERAL</i>				
FY 2005 Appropriations	550,067	550,067	550,067	1,100,134
Technical Adjustments				
November Forecast Adjustment		58,362	15,388	73,750
Subtotal - Forecast Base	550,067	608,429	565,455	1,173,884
Change Items				
Enrollment Adjustment	0	(58,362)	(15,388)	(73,750)
Biosciences for a Healthy Society	0	12,000	24,000	36,000
Competitive Compensation	0	5,000	10,000	15,000
Research Support	0	20,000	15,000	35,000
Preparing Students for 21st Century Econ	0	6,500	13,000	19,500
Biotech & Genomics Research Partnership	0	15,000	0	15,000
Total Governor's Recommendations	550,067	608,567	612,067	1,220,634
<i>Fund: HEALTH CARE ACCESS</i>				
FY 2005 Appropriations	2,157	2,157	2,157	4,314
Subtotal - Forecast Base	2,157	2,157	2,157	4,314
Total Governor's Recommendations	2,157	2,157	2,157	4,314
<i>Fund: SPECIAL REVENUE</i>				
Planned Open Spending	21,861	21,644	21,429	43,073
Total Governor's Recommendations	21,861	21,644	21,429	43,073
<i>Fund: MISCELLANEOUS AGENCY</i>				
Planned Statutory Spending	4,918	5,858	5,862	11,720
Total Governor's Recommendations	4,918	5,858	5,862	11,720

UNIVERSITY OF MINNESOTA

Change Item: Enrollment Adjustment

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures: New Initiatives	\$51,000	\$62,000	\$62,000	\$62,000
Expenditures: Enrollment Adjust.	(58,362)	(15,388)	(15,388)	(15,388)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(7,362)	\$46,612	\$46,612	\$46,612

Recommendation

The Governor recommends that the University of Minnesota's General Fund appropriation be increased by a total of \$113 million for the specific initiatives that are focused on the University's priorities for the future and that are detailed in the Change Item pages that follow. The Governor's recommendations are designed to give the University of Minnesota the new funding it needs to provide Minnesotans with a high quality, efficient and accessible system of public postsecondary education. The Governor's recommendations support excellence, access and accountability in higher education.

The Governor concurs with many of the recommendations of the Citizens League Higher Education Study Committee that were released last fall. The Governor is particularly interested in bringing greater clarity, focus and differentiation to the individual missions of Minnesota's public colleges and universities. With these budget recommendations the Governor is focusing his support on the future priorities of the University of Minnesota. The Governor supports the University's mission to be the state's primary research university and to provide exceptional postsecondary undergraduate and graduate education. The Governor's recommendations are designed to enable the University to maintain and improve its excellence in research, especially in areas where the University has a comparative advantage. The Governor's recommendations include new funding: for specific research initiatives in the biosciences area; for initiatives that support research more generally; and for the University to attract and retain talented students and faculty. The Governor also recommends new funding for the University's research partnership in biotechnology and medical genomics with the Mayo Foundation.

The Governor also recommends a reduction of \$58.4 million in FY2006 and \$15.4 million in FY2007 to the University of Minnesota's enrollment adjusted base General Fund appropriation for maintenance and operations.

Background

Under Minnesota Statutes, section 135A.031, the University of Minnesota's instructional services base (which is related to, but not equivalent to, its appropriated biennial base of \$1.1 billion) was increased in the November 2004 forecast by \$73.8 million. This increase is the result of adjusting the University's instructional services base for one-time and recurring increases in enrollment in 2003 and 2004.

The enrollment adjustment provision requires the state to pay a specified percentage of the University's instructional costs. Because higher education enrollment numbers are only updated once (in the November forecast before setting the next biennial budget), part of the recognized enrollment adjustment is one-time funding to correct for changes in enrollment that have occurred since the previous biennial budget was set. The other part is ongoing base adjustments from enrollment changes that move forward into the new biennium as an ongoing adjustment. The University's \$73.8 million total adjustment is comprised of \$43 million in one-time adjustments and an ongoing adjustment to the base of \$15.4 million per year.

The Governor is concerned that the enrollment adjustment statute, which was enacted in 1994, unnecessarily limits the state's ability to provide new funding to the University that directly supports the University's own identified priorities and statutory mission. In the ten years since the enrollment adjustment was enacted much has changed in the way the state's budget priorities are set and funded. Rather than support this input-based funding matrix, the Governor is recommending that the University's adjusted base appropriation for maintenance and operations be reduced by \$73.8 million to offset the enrollment adjustment that was recognized in the November forecast. Instead, the Governor recommends that the University's General Fund appropriation be

increased by a total of \$113 million for the specific initiatives that are focused on the University's priorities for the future and that are detailed in the following Change Item pages.

With the goal of updating the enrollment formula to a more appropriate and relevant model, the Governor recommends that the public postsecondary education funding statutes be revised. The Governor will direct the Higher Education Services Office to convene a stakeholder group to review issues and offer a recommendation that will better meet the state's needs.

Relationship to Base Budget

Overall the Governor's \$120.5 million package of new initiatives at the University of Minnesota will result in an 11.2% increase over the University's general fund appropriated amounts for the 2004-05 biennium. (When the Mayo Foundation's half, or \$7.5 million, of the Biotech Partnership appropriation is excluded, the Governor's \$113 million package of new funding for the University is a 10.3 percent increase over the University's FY2004-05 appropriations.)

Statutory Change: Minnesota Statutes, sections 135A.01 to 135A.034

UNIVERSITY OF MINNESOTA

Change Item: Biosciences for a Healthy Society

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	\$12,000	\$24,000	\$24,000	\$24,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$12,000	\$24,000	\$24,000	\$24,000

Recommendation

The Governor recommends an increase of \$12 million in FY 2006 and an additional \$12 million in FY 2007 from the General Fund to the University of Minnesota to provide the full requested amount of funding for its **Biosciences for a Healthy Society** initiative.

Background

The Governor supports the University of Minnesota's mission as the state's primary research university, and recommends funding this initiative to enable the University to maintain and improve its excellence and competitiveness in research, especially in areas where the University has a comparative advantage. The Biosciences for a Healthy Society initiative has the potential to turn basic research-derived knowledge into new technologies, products, companies and jobs in the biosciences area. This funding will enable the University to recruit new faculty in these areas, support current faculty working on projects in these areas, and support the graduate and professional students and the technical personnel working on the research.

Relationship to Base Budget

Overall the Governor's \$120.5 million package of new initiatives at the University of Minnesota will result in an 11.2% increase over the University's general fund appropriated amounts for the 2004-05 biennium.

When the Mayo Foundation's half, or \$7.5 million, of the Biotech Partnership appropriation is excluded, the Governor's \$113 million package of new funding for the University is a 10.3 percent increase over the University's FY2004-05 appropriations. This \$36 million initiative represents 31.9% of the Governor's proposed \$113 million increase in state operational funding for the University of Minnesota.

UNIVERSITY OF MINNESOTA

Change Item: Competitive Compensation

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	\$5,000	\$10,000	\$10,000	\$10,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$5,000	\$10,000	\$10,000	\$10,000

Recommendation

The Governor recommends an increase of \$5 million in FY 2006 and an additional \$5 million in FY 2007 from the General Fund to the University of Minnesota to provide the full requested amount of funding for its **Competitive Compensation** support initiative that will allow for merit-driven salary increases for targeted faculty and staff.

Background

The Governor supports the University of Minnesota's efforts to maintain and improve its excellence in research, especially in targeted areas where the University has a comparative advantage. This recommendation improves the University's ability to recruit talented new faculty and researchers, and also to retain its top educators and researchers.

Relationship to Base Budget

Overall the Governor's \$120.5 million package of new initiatives at the University of Minnesota will result in an 11.2% increase over the University's general fund appropriated amounts for the 2004-05 biennium.

When the Mayo Foundation's half, or \$7.5 million, of the Biotech Partnership appropriation is excluded, the Governor's \$113 million package of new funding for the University is a 10.3 percent increase over the University's FY2004-05 appropriations. This \$15 million initiative represents 13.3% of the Governor's proposed \$113 million increase in state operational funding for the University of Minnesota.

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	\$20,000	\$15,000	\$15,000	\$15,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$20,000	\$15,000	\$15,000	\$15,000

Recommendation

The Governor recommends an appropriation of \$20 million in FY 2006 and \$15 million in FY 2007, in a combination of both one-time and ongoing funding, from the General Fund to the University of Minnesota for its **Research Support** initiatives.

Background

The Governor supports the University of Minnesota’s mission as the state’s primary research university, and recommends new funding to enable the University to maintain and improve its excellence in research. This recommendation is for one-time and ongoing investments in research support. The funding will enable the University to: cover the costs associated with research “start-up packages” for new faculty; provide seed capital to begin research projects; obtain and support major research equipment; and enhance the security infrastructure in many research areas on campus.

Relationship to Base Budget

Overall the Governor’s \$120.5 million package of new initiatives at the University of Minnesota will result in an 11.2% increase over the University’s general fund appropriated amounts for the 2004-05 biennium.

When the Mayo Foundation’s half, or \$7.5 million, of the Biotech Partnership appropriation is excluded, the Governor’s \$113 million package of new funding for the University is a 10.3 percent increase over the University’s FY2004-05 appropriations. This \$35 million initiative represents 31% of the Governor’s proposed \$113 million increase in state operational funding for the University of Minnesota.

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	\$6,500	\$13,000	\$13,000	\$13,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$6,500	\$13,000	\$13,000	\$13,000

Recommendation

The Governor recommends an increase of \$6.5 million in FY 2006 and an additional \$6.5 million in FY 2007 from the General Fund to the University of Minnesota to provide the full requested amount of funding for its **Preparing Students for the 21st Century Economy** initiative.

Background

The University of Minnesota has identified several investments it can make in new or expanded programs that will enhance the undergraduate experience and help it continue to attract and retain talented students. For example, the University knows that Honors Programs provide the small class sizes and individual attention that many top students look for when they choose a college. "Fast Track" Programs, which accelerate the time it takes a student to complete an undergraduate program and move into a professional school, are another draw for talented students. An Undergraduate Research Opportunities Program gives students the opportunity to learn the tools for conducting research and potentially develop an interest in graduate study. By expanding capacity in these areas, and also by enhancing graduate and professional education as well as services to help students' transition to the world of work, this initiative will improve the University's ability to attract and retain talented students.

Relationship to Base Budget

Overall the Governor's \$120.5 million package of new initiatives at the University of Minnesota will result in an 11.2% increase over the University's general fund appropriated amounts for the 2004-05 biennium.

When the Mayo Foundation's half, or \$7.5 million, of the Biotech Partnership appropriation is excluded, the Governor's \$113 million package of new funding for the University is a 10.3 percent increase over the University's FY2004-05 appropriations. This \$19.5 million initiative represents 17.3% of the Governor's proposed \$113 million increase in state operational appropriations for the University of Minnesota.

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	\$15,000	\$0	\$0	\$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$15,000	\$0	\$0	\$0

Recommendation

The Governor recommends a one-time appropriation of \$15 million in FY 2006 to the University of Minnesota for operating funds for the **Minnesota Partnership for Biotechnology and Medical Genomics**.

Background

The Minnesota Partnership for Biotechnology and Medical Genomics is a collaborative venture between the University of Minnesota, the Mayo Foundation, and the state. The Partnership's goal is to position Minnesota as a leader in biotechnology and medical genomics applications that will result in important new medical discoveries and support the development of new businesses and jobs in the biosciences industry in the state. Research projects funded by the Partnership advance medical research and discovery in disease, disease prevention, diagnosis and therapeutics. Selected projects are expected to seek additional outside funding.

Relationship to Base Budget

The Partnership received a \$2 million state general fund appropriation in the FY 2004-05 biennial budget. (Laws 2003, chapter 128, article 10, section 2, subdivision 2) This new \$15 million appropriation provides additional operating funding to continue the work that is underway by the Partnership. The University's share of this new funding, \$7.5 million, represents 6.6% of the Governor's proposed \$113 million increase in state operational funding for the University of Minnesota.

Preliminary Proposal

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	\$2,237	\$2,237	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$2,237	\$2,237	0	0

Recommendation

The projects recommended by the Legislative Commission on Minnesota Resources (LCMR) are displayed as part of the University of Minnesota's biennial budget request. The Governor is not making specific recommendations on these projects.

Background

1. W-05 - Unwanted Hormone Therapy: Protecting Water & Public Health – Dept. of Civil Engineering
Funding: FY06 - \$150,000 and FY07 - \$150,000
2. W-12 - Climate Change impacts on Minnesota's Aquatic Resources - NRRRI
Funding: FY06 - \$125,000 and FY07 - \$125,000
3. W-44 - Upgrades to Research Vessel Blue Heron - Large Lakes Observatory
Funding: FY06 - \$147,750 and FY07 - \$147,750
4. H-01 - Integrated & Pheromonal Control of Carp - Continuation
Funding: FY06 - \$250,000 and FY07 - \$250,000
5. H-10 - Third Party Certification of Private Woodlands - Cloquet Forestry Center
Funding: FY06 - \$151,000 and FY07 - \$151,000
6. H-04 - Evaluating Riparian Timber Harvesting Guidelines: Phase 2 - Continuation – Dept. of Forest Resources
Funding: FY06 - \$150,000 and FY07 - \$150,000
7. H-20 - Cedar Creek Savanna & Prairie Restoration & Interpretation - Cedar Creek Natural History Area
Funding: FY06 - \$200,000 and FY07 - \$200,000
8. H-42 - Land Acquisition, Minnesota Landscape Arboretum
Funding: FY06 - \$325,000 and FY07 - \$325,000
9. E-02 - Wind to Hydrogen Demonstration & 100% Biodiesel Evaluation - Central Research & Outreach Ctr.
Funding: FY06 - \$400,000 and FY07 - \$400,000
10. E-06 - Biomass-Derived Oils for Generating Electricity & Reducing Emissions
Funding: FY06 - \$75,000 and FY07 - \$75,000
11. E-14 - Economic Development via Energy Independence - Duluth
Funding: FY06 - \$120,000 and FY07 - \$120,000
12. R-15 - Regional Parks for Minnesota's New Urban Areas – Dept. of Forestry
Funding: FY06 - \$43,000 and FY07 - \$43,000

13. R-24 - Minnesota River Trail Communities: Design Trails & Waterfronts - Ctr. for Changing Landscapes
Funding: FY06 - \$100,000 and FY07 - \$100,000

Relationship to Base Budget

Project funding is available for FY 2006-07.

Key Measures

See individual project proposals. Also see the LCMR website at <http://www.lcmr.leg.mn/lcmr.htm>

University of Minnesota
2006-07 Biennial Budget Request

UNIVERSITY OF MINNESOTA

Program: MAINTENANCE & OPERATIONS

Agency Change Item: BioSciences for a Healthy Society

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	\$12,000	\$24,000	\$24,000	\$24,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$12,000	\$24,000	\$24,000	\$24,000

Request

The University requests \$12 million in FY 2006 and an additional \$12 million in FY 2007 for the University of Minnesota as part of an investment in the biosciences through four academic initiatives in areas where the state and the University have demonstrated leadership. Funds will be used to recruit new faculty in these cutting-edge disciplines, support faculty who will be working on projects in these areas, support graduate and professional students working on research, and support the technical personnel who assist in the research. These investments are designed to increase the University's competitiveness in leveraging new outside funding from federal and private sources.

Background

The state of Minnesota is a world leader in a number of areas of the biosciences, including medical devices, products for animal and human health, and food production. The state has made a commitment to invest in biosciences development and education, with the Governor's Biosciences Council report outlining directions for growth, and it must make investments in critical areas to retain and increase its leadership in this area.

The University can also be a leader in the biosciences because the University is ranked in the top 10 nationally for intellectual property generation and technology commercialization, the state benefits from the jobs and companies that are created as a result of University research. The University, as the state's only research university, is uniquely positioned to leverage an investment in the biosciences into significant returns for the state. If investments are not made now, Minnesota will have missed an opportunity to lead in the biosciences.

This initiative, **Biosciences for a Healthy Society**, offers the state an important opportunity to build on several leading-edge areas of bioscience where the University has a comparative advantage. Biosciences for a Healthy Society is comprised of four academic initiatives; each one has the potential to turn basic knowledge into new technologies, new products, new jobs, new companies, and new ways to improve the lives of Minnesotans, just as past investments in University research led to the formation of the medical device industry, production agriculture, taconite mining, and food design and production. **Academic Initiatives** proposed all build upon University strengths where applied, interdisciplinary research can advance human health.

Healthy Foods, Healthy Lives will focus on four areas: disease and obesity prevention; food safety and security; improvement of the nutrients and healthfulness of foods and food products; and public policy research. Through the development of new technologies, new policies, and appropriate changes in diet and lifestyle the effect of chronic diseases on human health can be ameliorated and health care costs constrained.

University researchers, working in interdisciplinary areas, were the first to find a link between eating oats and lowering cholesterol. The University, because of its integration of agriculture, medicine, public health, veterinary medicine, nutrition, the behavioral sciences, and public policy, is uniquely positioned to make new discoveries in areas where disciplines intersect. And the University can connect that research to people through its strong relationships with the state's more than 400 food companies, its health care system, its agricultural and agribusiness organizations, and nonprofit organizations, improving the quality of life for all Minnesota's citizens.

Translational Research in Human Health connects basic science knowledge to the treatment of diseases. The process begins when basic science researchers figure out how things work. They reveal new knowledge that contributes to the work of translational researchers, who begin to uncover questions about using that research.

These questions in turn are conveyed to clinical researchers who assess whether the translational approaches work—they test possible breakthroughs in disease prevention and treatment that result in new drugs, devices, or therapies.

The University has pioneered applications of basic science for the betterment of human health, including transplant surgery, open-heart surgery, and bone and blood marrow transplantation. In recent years, the University has made significant investments in new facilities and competitive faculty to perform research. University researchers, working in areas such as neuroscience, biochemistry, genetics, and cell biology and development, are now paving the way for future breakthroughs. Promising areas of translational research include regeneration of heart muscle injured in heart attacks; new methods of diagnosing and treating cancers of the lung, colon, and breast, as well as other cancers; and improving the safety and effectiveness of current medications and other treatments while designing new and better ones.

Investment in this initiative will assure that the past investments made in the earlier stages of the research enterprise will result in new approaches to disease prevention and treatment, with Minnesotans being among the first to benefit from these innovations.

New Products through Biotechnology provides the state a unique economic opportunity to build on its leadership in the agricultural and natural resource industries. Advances in the frontiers between biology, chemistry, engineering, and information sciences make this the right time to build upon existing University strengths by an increased investment in biocatalysis. Biocatalysis—the use of biological systems and processes to transform biological material into useful products—has the potential for the development of new bio-based industries in the state, such as soil remediation. University researchers are looking into ways of transforming corn, soybeans, and forest biomass into commercially useful chemicals, polymers, plastics, and other materials. The state can continue to be a leader in the development of new, bio-based products through an investment in the University.

Brain Function Across the Lifespan draws upon new tools, including modern genetics, molecular and cellular biology, and state-of-the-art imaging techniques, to shed light on how changes in the brain influence the way humans think, feel, and act. University clinicians and researchers will use emerging knowledge of the growth, development, organization, and reorganization of the brain to better understand the range of cognitive impairments that can afflict the very young as well as the very old. For example, learning and memory problems afflict those born very prematurely as well as those elderly who suffer from Alzheimer's disease. The goal of this research is to better diagnose and treat brain disorders and disease, find new ways to support learning and memory in healthy individuals across the lifespan, and maintain healthy brain function into old age.

The University has made a commitment to neuroscience research through investments in a strong faculty and in facilities where research into brain function is underway. Fostering collaboration through this initiative will enhance the University's ability to make great strides in basic research and its applications.

Relationship to Base Budget

Funding the University's enrollment adjustment plus the academic initiative requests of \$42 million each year will increase the University's annual recurring General Fund appropriations to \$607,455,000 in FY 2006 and \$649,455,000 in FY 2007, or \$1,256,910,000 for the biennium. This represents a biennial funding level that remains approximately \$25 million below what the FY 2003 appropriation (at the end of the 2002 legislative session) would have generated had it been carried forward unchanged.

Key Measures

- ⇒ New approaches to prevent diet-related diseases including diabetes, obesity, high blood pressure, cancer, stroke, asthma, and arthritis
- ⇒ New or improved food crops that can be locally produced and innovations in food safety
- ⇒ Public health policy recommendations such as methods for improving the labeling of food products
- ⇒ Improved markets for Minnesota products and enhanced regional vitality

- ⇒ Development of methods to prevent and treat disease in humans and animals
- ⇒ New and increased federal grant support for research
- ⇒ New intellectual property that will be licensed or sold to existing Minnesota companies or used for start-up companies
- ⇒ Substantial reduction in health care costs through new approaches to the treatment and prevention of disease
- ⇒ New approaches to environmental clean up
- ⇒ New products and energy sources that will reduce dependency on petroleum
- ⇒ New bioprobes, drugs, and biomicroelectronics that will augment the state's already powerful capabilities in biomedical devices and pharmaceuticals
- ⇒ New treatments for neurodegenerative disorders such as ataxia, Parkinson's disease, Alzheimer's disease, and multiple sclerosis
- ⇒ New approaches to mental health
- ⇒ New diagnostic tools to identify children at risk for learning and attention problems
- ⇒ New interventions for better diagnosis and treatment of brain disorders

Alternatives Considered

This request is the result of an integrated process for setting priorities, improving results, and measuring success. The four critical activities of strategic positioning; financial planning; operational and tactical planning; and documentation of accountability and improvement result in the identification of those initiatives in which investment is critical for the University of Minnesota and the state. The state is being asked to partner with the University in funding those initiatives that will maintain the University's competitiveness, foster continued economic development, and preserve the quality of life that Minnesotans value. The University's responsibility in this partnership will be to cover the costs of faculty and staff base compensation increases, ensure continued operation of facilities infrastructure, meet inflationary support costs, and make selected investments to strengthen academic and service programs.

UNIVERSITY OF MINNESOTA

Program: MAINTENANCE & OPERATIONS

Agency Change Item: Preparing Students for 21st Century Econ

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	\$6,500	\$13,000	\$13,000	\$13,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$6,500	\$13,000	\$13,000	\$13,000

Request

The University requests \$6.5 million in FY 2006 and an additional \$6.5 million in FY 2007 for the University of Minnesota as part of an investment in attracting and retaining students. Funds will be used in four areas that address these concerns and have proven to be talent magnets for attracting and retaining students.

Background

Investments in human capital are essential for the state’s continued advancement; people are the state’s best assets. The University of Minnesota is in a unique position to meet the state’s needs because of the comparative advantages that distinguish this University—its academic strengths, its research base, its outreach activities, and the opportunities that only the University provides to its students and faculty. **Preparing Students for the 21st-Century Economy** focuses on attracting, retaining, and educating the best students from every sector of the state’s population with the goal of preparing them to contribute significantly to the future of the state’s economy.

Talent Magnet for Undergraduate Students **Serving the state’s very best students and keeping them in Minnesota is important to the state’s future. In the past decade, the University has improved the undergraduate educational experience and developed more effective recruiting, thereby creating greater demand and increased selectivity. Despite these changes, the state is still losing some of its best and brightest students—70% of the students admitted to the University who choose not to enroll attend institutions outside the state. The majority of these students are in the top 25% of their high school class. This initiative will expand some proven recruiting activities and enhance the undergraduate educational experience by increasing opportunities to participate in advanced classes and cutting-edge research.**

The Northern Stars Leadership Program targets the state’s high-achieving high school students early in the process of choosing a college. Every high school in the state nominates its top sophomores; they are invited to the Twin Cities campus to showcase the University, and interest them in attending. This program gives the state’s top students early exposure to higher education and to the University and supports their development as the state’s future leaders.

Fast Track Programs are designed to accelerate a student’s completion of an undergraduate program and transition to a professional school. The College of Agricultural, Food, and Environmental Sciences and the College of Veterinary Medicine developed VetFAST, a unique program designed to meet the high demand for veterinarians trained to work with food production animals. VetFAST allows a student to get an admissions decision by the College of Veterinary Medicine at the end of the first year in college, allowing the student to complete pre-veterinary studies in three years instead of four. The development of this program has resulted in a 30% increase in applications from high-achieving students.

Honors Programs provide the small classes and individual attention that many of the state’s most talented students want. Studies indicate that students who are part of smaller classes have higher retention rates and higher grade point averages. The University currently has many honors programs designed to provide students with rigorous academic study in a small class setting. They also provide a chance for undergraduates to work directly with outstanding researchers.

Undergraduate Research Opportunities give students on all University campuses the opportunity to work on research. Students receive individual attention from faculty members and graduate students, learn the tools for

conducting research, and potentially develop interest in pursuing postgraduate study. The most talented students are attracted to universities that provide significant opportunities for research at the undergraduate level.

Retaining the State's Best and Brightest The University successfully recruits many of the state's most talented undergraduate students in a broad range of programmatic areas. Students who plan to major in the physical sciences, life sciences, and materials sciences are the students most likely to be recruited aggressively by public and private institutions in other states. This initiative would establish a "challenge grant program" that would leverage new private dollars to create new scholarships in these critical areas. In addition to whatever need-based aid they might be eligible to receive, selected students would receive merit-based scholarships to fully cover the cost of their undergraduate education. These scholarships would be coupled with opportunities to work in a research laboratory and would provide students with hands-on experience and career guidance from faculty and graduate students. This would greatly increase the University's competitive advantage in recruiting students in the physical, life, and materials sciences as well as increase the number of students who could be recruited.

Enhancing Graduate and Professional Education Graduate and professional education at the University is critical to meeting the state's need for knowledge-based workers. Graduate education is a distinctive feature of the educational programs of the University, and excellence in graduate education is the hallmark of a great university. Graduates of the University's graduate and professional programs meet critical needs for a highly educated workforce across a wide variety of economic sectors.

The quality of the University's research depends not only on its faculty, but also on the University's ability to attract the brightest graduate students to work with them. The University proposes to increase the number of graduate student fellowships awarded each year and to increase the level of compensation packages awarded to graduate student employees working as teaching assistants and research assistants. Particular priority will be given to research areas that are critical to the future of the University and the state. Graduate student support is essential to remaining competitive nationally and internationally in attracting the most talented students.

Transition to the World of Work Employers across the state need to attract the best graduates to their workplaces if the state's economy is to remain strong and competitive. This initiative would provide an enhanced, coordinated effort to better prepare undergraduate, graduate, and professional students for the world of work through better career advising, expanded internship opportunities, and a welcoming "front door" for Minnesota employers.

This initiative would increase career services staff to better support student learning and development, in order to insure both successful academic progress and effective preparation for life following graduation. Increased internship opportunities would also be available to students. Successful internship experiences in Minnesota companies better prepare students for the world of work and increase other opportunities.

This initiative would also provide employers access to graduating students. As part of these enhanced career services, the University would establish a program to coordinate relationships between the employment community and students, creating a welcoming "front door" that serves employers in gaining access to potential recruits.

Relationship to Base Budget

Funding the University's enrollment adjustment plus the academic initiative requests of \$42 million each year will increase the University's annual recurring general fund appropriations to \$607,455,000 in FY 2006 and \$649,455,000 in FY 2007, or \$1,256,910,000 for the biennium. This represents a biennial funding level that remains approximately \$25 million below what the FY 2003 appropriation (at the end of the 2002 legislative session) would have generated had it been carried forward unchanged.

Key Measures

- ⇒ Increase percentage of top high school students who enroll at the University.
- ⇒ Increase participants in the Northern Stars Leadership Program from 500 to 1,000 students annually.
- ⇒ Develop fast track programs in areas of critical need to our state such as medicine and public health.
- ⇒ Improve outreach to attract the state’s best students to participate in honors programs and increase capacity within the programs.
- ⇒ Increase the number of undergraduate research opportunities available for students from 440 to 800 per year.
- ⇒ Create 500 additional four-year challenge grant scholarships at an average of \$5,000 per year.
- ⇒ Improve articulation between undergraduate and graduate and professional programs.
- ⇒ Improve retention and graduation rates.
- ⇒ Increase by 35 percent the number of graduate fellowships by the second year of the biennium.
- ⇒ Enhance graduate assistant compensation to make the University competitive with peer institutions in attracting graduate student talent to the state.
- ⇒ Enhance services available to students in career centers, providing them with career guidance and preparation throughout their undergraduate career.
- ⇒ Improve job placement of undergraduates.
- ⇒ Provide more specialized career guidance to graduate students and enhance their connections to Minnesota business and industry.
- ⇒ Create 500 internship opportunities with modest stipends for undergraduates.

Alternatives Considered

This request is the result of an integrated process for setting priorities, improving results, and measuring success. The four critical activities of strategic positioning; financial planning; operational and tactical planning; and documentation of accountability and improvement result in the identification of those initiatives in which investment is critical for the University of Minnesota and the state. The state is being asked to partner with the University in funding those initiatives that will maintain the University’s competitiveness, foster continued economic development, and preserve the quality of life that Minnesotans value. The University’s responsibility in this partnership will be to cover the costs of faculty and staff base compensation increases, ensure continued operation of facilities infrastructure, meet inflationary support costs, and make selected investments to strengthen academic and service programs.

UNIVERSITY OF MINNESOTA**Program: MAINTENANCE & OPERATIONS****Agency Change Item: Competitive Compensation**

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	\$5,000	\$10,000	\$10,000	\$10,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$5,000	\$10,000	\$10,000	\$10,000

Request

The University requests \$5 million in FY 2006 and an additional \$5 million in FY 2007 for the University of Minnesota as part of a long-term effort to respond to competitive compensation pressures for its best educators and researchers. Funds will be used to award compensation increases differentially, based on individual merit and competitive market issues, in ways that will allow the University to take advantage of the most strategic opportunities to retain and recruit top educators and researchers.

Background

Distinguished faculty are essential for first-rate teaching and research. As the state's only research institution, the University is committed to making continued investments in the "human capital" of the institution. It is the faculty, the many people devoted each day to instruction and discovery, that serve as the cornerstone of the University. It is essential that planning and budgeting efforts focus on attracting and retaining the best and the brightest. In turn, by securing a world-class faculty, the University will be better placed to attract Minnesota's best students, attract research funds, stimulate patentable ideas, and develop licensable technology.

Finding and keeping talented faculty is a fluid process, based on a continuing examination of the University's academic directions. Forty percent of current faculty have been hired in the last 10 years. Each year, the University hires approximately 120 new faculty to replace those who have left or retired. The University is also confronted with numerous serious retention decisions as top faculty in fields with competitive advantage are recruited nationally by other premier public and private institutions. When the University fails to compete in hiring and retention, there are long-term effects on the quality of departments and the University's ability to help the state of Minnesota maintain and improve its economic advantage and social and cultural quality of life.

Recently, the University of Texas at Austin embarked on a serious effort to recruit a leading researcher in materials science away from the University of Minnesota. Texas offered an endowed chair and a salary that was significantly higher (\$20,000 per month) compared to other faculty here, in the Institute of Technology. In the present financial environment, the University of Minnesota simply could not match the offer. The loss of this faculty member is a serious blow to the materials science program, which recently has been positioned to move into the top ten of U.S. materials science programs as ranked by the National Research Council. This was the third person lost from the University of Minnesota to the University of Texas for the same reason during the past seven years.

At the same time, there have been numerous examples of successful efforts to retain faculty that are essential to the world-class status of some of the University's programs. The Center for Magnetic Resonance Research and the Stem Cell Institute within the Medical School are two such programs. The University has been successful in retaining the leaders of these programs, who are aggressively and constantly recruited by other universities. Their retention offers came at great cost to the University (millions of dollars, including compensation, commitments for new faculty, operating support, and capital improvements) but the results are extraordinary—increased federal research funding that exceeds \$10 million annually, more than 20 new world class faculty attracted to the University, advances in knowledge related to many diseases (including diabetes, heart disease, breast cancer, and hypoglycemia), and numerous national and international awards and honors.

Leading faculty do matter. The recent substantial cuts in state funding for the University have made it increasingly difficult for the University to keep its best faculty and compete for talented new faculty. Support for the University's initiative on competitive compensation is critically important and represents a commitment to the long-term quality of the University.

Relationship to Base Budget

Funding the University's enrollment adjustment plus the academic initiative requests of \$42 million each year will increase the University's annual recurring general fund appropriations to \$607,455,000 in FY 2006 and \$649,455,000 in FY 2007, or \$1,256,910,000 for the biennium. This represents a biennial funding level that remains approximately \$25 million below what the FY 2003 appropriation (at the end of the 2002 legislative session) would have generated had it been carried forward unchanged.

Key Measures

- ⇒ Provision of selective compensation increases above an anticipated 4% per year total compensation increase (salary and fringe benefits), which the University will self-finance through internal reallocation of existing resources, tuition increases, and other non-state sources of money
- ⇒ Increased ability to take advantage of strategic opportunities to retain and recruit top educators and researchers, resulting in increased ability to attract the best students, gain research funds, stimulate patentable ideas, and develop licensable technology
- ⇒ Modest improvement in the University's competitive salary position (relative to other research universities) during the next two years

Alternatives Considered

This request is the result of an integrated process for setting priorities, improving results and measuring success. The four critical activities of strategic positioning; financial planning; operational and tactical planning; and documentation of accountability and improvement result in the identification of those initiatives in which investment is critical for the University of Minnesota and the state. The state is being asked to partner with the University in funding those initiatives that will maintain the University's competitiveness, foster continued economic development, and preserve the quality of life that Minnesotans value. The University's responsibility in this partnership will be to cover the costs of faculty and staff base compensation increases, ensure continued operation of facilities infrastructure, meet inflationary support costs and make selected investments to strengthen academic and service programs.

UNIVERSITY OF MINNESOTA

Program: MAINTENANCE & OPERATIONS

Agency Change Item: Research Support

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	\$11,500	\$23,000	\$23,000	\$23,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$11,500	\$23,000	\$23,000	\$23,000

Request

The University requests \$11.5 million in FY 2006 and an additional \$11.5 million in FY 2007 for the University of Minnesota as part of an investment in research support. Funds will be used in five areas of immediate concern including research start-up costs, acquiring and supporting major research equipment, supplying seed capital to initiate research projects, research security infrastructure, and libraries and information centers.

Background

Research and new discoveries give the state a leading advantage. The University of Minnesota is the state's only research university, receiving more than 98% percent of all sponsored research grants awarded to higher education institutions in the state. Researchers at the University brought in more than \$523 million in sponsored research in FY 2004, marking the third time in the past three years the University's external awards have surpassed a half billion dollars. The University leverages the public's investment in research many times over through job creation and by expanding the state's tax base. The U.S. Department of Commerce estimates that 39 jobs are created in the state for every \$1 million spent on university-based research in Minnesota.

However, the costs to support the University's competitive research have grown substantially in recent years. For example, research overhead is expanding at an alarming rate. Among the most recent requirements faced by research universities are those related to human research and subject protection; clinical compliance with the Health Insurance Portability and Privacy Act of 1996 (HIPPA); laboratory animal research; facility and laboratory security; and the security and transport of hazardous waste and materials.

Meeting these challenges takes a sustained, dedicated effort as well as on going investments. Without an investment in research infrastructure, the University's comparative advantage, and the benefits that accrue to the people of this state, will be compromised.

Research Start-up Costs Each year the University attracts talented new faculty in high-priority areas. The talent these new faculty bring to the University is accompanied by the need for new and different kinds of equipment, remodeled research space to accommodate their research, and library acquisitions. Costs associated with starting a laboratory for a new investigator are usually on the order of \$500,000, while highly sought after specialists sometimes require \$1,000,000. These expenditures are necessary to recruit world-class faculty and to provide them, within a short timeline, an environment in which they can be productive.

The funding requested here is to support start-up packages across the University and would be awarded to needs other than those in the clinical sciences related to the biennial initiative, Biosciences for a Healthy Society.

Acquisition and Support of Major Research Equipment The costs for research equipment, which is critical to the University's research programs, are rising. The purchase of major equipment is necessary if the University is to effectively compete for research funding. Additional costs are incurred through required maintenance contracts, remodeling facilities to accommodate equipment, and increased utility costs. The need for research equipment exists in the physical sciences, engineering, and the biosciences—electron microscopes, mass spectrometers, robots, massive electronic databases, X-ray crystallography, semiconductor processing technology, and others. The University must support the creativity and commitment of its researchers by providing them access to the tools necessary to implement their ideas, so that they might compete on national and international levels and attract distinction to the University and the state.

The right piece of equipment can make the difference in moving a field forward. A team of faculty from the Institute of Technology was successful in competing for a Major Research Instrumentation grant from the National Science Foundation in 2003 to acquire a high-resolution transmission electron microscope (TEM) worth \$1.3 million. This equipment is critical for the development of a research infrastructure for nanotechnology at the University. The new TEM will allow University researchers to successfully compete for additional funding in this rapidly developing field.

Seed Capital for Research Projects

Seed capital allows University researchers to initiate research projects to develop preliminary data that is used to make funding proposals more compelling. In some research fields, particularly the biosciences, preliminary research data is a precondition for a successful research proposal. Modest, initial investments can enable University researchers to quickly respond to emerging new fields of research and position them to act immediately on solicitations for research proposals.

As a case in point, in 1998, the National Science Foundation (NSF) awarded the University a Materials Research Science and Engineering Center (MRSEC) with a four-year budget averaging \$1.9 million per year. In order to compete for additional funding from NSF for the MRSEC in 2002, a separate but related initiative on magnetic materials needed to be developed. In order to position the University's researchers for a renewal of the grant, the Institute of Technology provided seed funding of \$180,000 per year. The strategy was a complete success—the magnetic materials initiative was the linchpin of a six-year renewal of the University's MRSEC; the budget for the center is now \$3.0 million per year.

Research Security Infrastructure Since the events of 9-11-01, the federal government has expanded security regulations for research; some are unfunded federal mandates. It is essential that the University fulfill these new, and often expensive, security requirements. Without state funding, the University will be forced to curtail critical research.

Renovation has addressed security issues in areas where attacks have occurred. Formal security planning and design processes, appropriate to the research activities, are now included and funded for new construction projects. The University must also address security issues in existing buildings. Potential research areas that require enhanced security include: hazardous material laboratories, bio-safety laboratory facilities, animal research housing facilities greenhouses, stem cell facilities, and infectious-agent laboratories.

University of Minnesota Libraries and Information Centers At the heart of any research University is its library. Information resources—publications, data, and media—are the building blocks of knowledge creation and discovery. In Minnesota, the University's library system also serves as a comprehensive intellectual resource for all citizens of the state. While students, staff, and faculty are the primary users of the library, the general public accounts for nearly 20% of the onsite use of the facilities and nearly 10% of the circulation of books. The University libraries also act as the statewide resource for research and archival material, allowing for great efficiencies for libraries throughout the state in accessing one of the world's great collections of knowledge, and are especially valuable for other state colleges and universities, both public and private.

In 2000, the University of Minnesota ranked 14th among the 114 North American university library members of the Association of Research Libraries (ARL). In 2003, the University's ranking dropped to 19th. This ranking reflects a composite index of the size and growth of collections, funding, and staffing. The overall acquisition budget dropped to 25th nationally, placing the University behind some much smaller universities.

ARL reports that between 1986 and 2002, the unit cost and average library expenditure for subscriptions to academic and research journals have risen a staggering 227%, compared to an overall consumer price index increase of 64% for that same period. Inflation data for the last several years have averaged 10% annually. While acquisition costs in science, technology, and medicine have experienced continued high inflation, inflation rates for the humanities and social sciences have now also reached double digits. To sustain current commitments of books, journals, and electronic licenses requires nearly \$900,000 in new funds each year for the University Libraries acquisitions budget. Additionally, the development of new subdisciplines and interdisciplinary areas of research also strains acquisition funds, requiring investment in new publications as well as greater depth in

multiple fields, such as biomedical engineering, global climate change, nanotechnology, microbial and plant genomics, and biotechnology.

In addition to inflationary increases, the price of electronic publications is significantly higher than print. Incremental costs of 15 to 20%, above the cost of print, are typical for electronic journals. Many reference or high-demand journals are significantly higher. For example, an institutional print subscription to *Science* is \$500, while the campus site license is \$10,000. Increasingly, online publications contain information not found in print or are solely delivered in this medium.

Libraries are increasingly dependent on technology. University libraries are forced, in effect, to manage two parallel libraries—print and digital—with funds that are barely adequate for print acquisitions. In addition, many publishers will sell electronic versions of publications only to customers who have paid for a print version. Additionally, faculty, students, and the general public alike expect access to speedy, state-of-the-art computers for their digital needs.

New digital products, databases, and media are also entering the marketplace, providing new resources for the researcher. It is estimated that the 10-year growth rates in scientific and scholarly databases is 150%, compared to a 3.3% annual growth rate in the number of journals. Some examples of recent acquisitions reflect this high cost: MICROMEDEX is a comprehensive pharmaceutical utility incorporating monographs, reference sources, and dosing and drug tools, which costs \$35,000 per year. The New York Times Historical Database 1851-2001 provides fully searchable text of the complete *New York Times* for an \$86,000 initial cost and \$8,200 per year thereafter.

Relationship to Base Budget

Funding the University's enrollment adjustment plus the academic initiative requests of \$42 million each year will increase the University's annual recurring General Fund appropriations to \$607,455,000 in FY 2006 and \$649,455,000 in FY 2007, or \$1,256,910,000 for the biennium. This represents a biennial funding level that remains approximately \$25 million below what the FY 2003 appropriation (at the end of the 2002 legislative session) would have generated had it been carried forward unchanged.

Key Measures

- ⇒ Provide research start-up costs to allow the University to be highly competitive in attracting and competing for the best faculty nationally.
- ⇒ Attract the most talented faculty from other universities, who must currently be overlooked because of a lack of these types of funds.
- ⇒ Acquire and support three to four pieces of research equipment per year.
- ⇒ Leverage and multiply the effect of investments in equipment through additional successful competitive research grants.
- ⇒ Provide seed capital for 8 to 10 research projects per year to enable faculty to explore new ways to transfer research into important technologies and leverage opportunities for future outside funding.
- ⇒ Improve security deficiencies in high-risk areas.
- ⇒ Assure compliance and accountability in relation to federal and private security requirements.
- ⇒ Support research through the acquisition of information resources in new disciplines and multidisciplinary areas.
- ⇒ Accelerate the digitization of unique library collections.
- ⇒ Provide four to five specialized information consultants for emerging disciplines that require this type of support.
- ⇒ Maintain a critically important resource for the University and the state.

Alternatives Considered

This request is the result of an integrated process for setting priorities, improving results, and measuring success. The four critical activities of strategic positioning; financial planning; operational and tactical planning; and documentation of accountability and improvement result in the identification of those initiatives in which investment is critical for the University of Minnesota and the state. The state is being asked to partner with the University in funding those initiatives that will maintain the University's competitiveness, foster continued economic development, and preserve the quality of life that Minnesotans value. The University's responsibility in this partnership will be to cover the costs of faculty and staff base compensation increases, ensure continued operation of facilities infrastructure, meet inflationary support costs, and make selected investments to strengthen academic and service programs.

UNIVERSITY OF MINNESOTA

Program: MAINTENANCE & OPERATIONS

Agency Change Item: 21st Century Technology

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	\$7,000	\$14,000	\$14,000	\$14,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$7,000	\$14,000	\$14,000	\$14,000

Request

The University requests \$7 million in FY 2006 and an additional \$7 million in FY 2007 for the University of Minnesota to invest in new technologies. Funds will be used to support investments in a new financial system, core functions of high-performance national research networks, accelerated document imaging efforts, a strategic data storage system, classrooms, and new advising and portal systems.

Background

World-class universities are distinguished by their ability to manage and sustain complicated information-based systems, high performance networks and complimentary service offerings in a complex computing environment. Funding this request will allow the University to address the goals of increased efficiency, effectiveness, and service quality through investments in strategic and important technology improvements.

Financial System Replacement - The University relies on several computer systems to support its mission and the associated administrative infrastructure. One of these computer systems, the College and University Financial System (CUFS), was licensed by the University in 1988, and implemented in full production in 1991. CUFS is the remaining mainframe-based system at the University and is no longer supported by the original vendor. The risks of continuing to use CUFS include potential system failure, increased maintenance costs, loss of knowledgeable staff, and increasing software replacement costs. Investing in a new financial system is necessary to ensure continued strong financial operations and accountability. The cost of replacing the financial system is projected to be at least \$25 million over the next four years.

High-Performance National Research Networks - The University actively participates in two high-performance national research networks, Internet2 and the National Lambda Rail. Connection to these networks gives the University a competitive edge in pursuing institutional research grants and maintaining academic partnerships with the state, K-12, and other agencies. These networks are critical to research growth in areas such as bioinformatics, nanotechnology, and functional genomics. Network participation has also led to new research relationships such as the University of Minnesota and the Mayo Clinic partnership. Investment is necessary to support the core functions of these networks to improve services and financial efficiencies.

Imaging - Turning paper records into digital documents can save space and money and improve the quality of services through near-instant search and retrieval capabilities. Additionally, an optimized system will allow the University to streamline its business processes and create new self-service business models. Pilots with the Office of the Registrar, University of Minnesota, Duluth and the Academic Health Center are underway. More than two dozen University units are prepared to implement this imaging technology.

Storage - Reliable and scalable data storage strategies are critical to the University's technology infrastructure. For example, cutting-edge research in the life sciences requires the ability to collect, store, analyze, and synthesize massive amounts of digital information. The genetic information obtained from a single microbe results in a document equivalent in size to the Minneapolis phone book. Sequencing something even slightly more genetically complex, like a fungus, requires 10 times the data capacity. These research storage needs combined with the needs of the University's colleges and business systems make it critical that the University have a managed, integrated storage strategy. The new system's capabilities will meet local, state, and federal compliance requirements, such as HIPPA, avoid financial penalties and lost worker productivity, and reduce the overall cost of data storage and management.

Supporting the Learning Environment - In the past decade the University has made great strides in technology enhanced learning, but much more needs to be done.

Technology Enhanced Classrooms Approximately two-thirds of all University centrally scheduled classrooms are now equipped with up-to-date Internet and presentation technology. To bring the remaining classrooms up to date will require approximately \$5 million. An additional \$3.5 million recurring will be required to fund lifecycle replacement costs for all classrooms on all campuses. The University also needs to invest in more flexible learning environments, such as portable laptop learning systems and Internet distance education. New funds will first be used for high priority lifecycle equipment replacement and then to complete upgrades of the remaining classrooms. The University's strategy for completing the overall upgrade of classrooms is reflected in its capital budget requests to the state.

Advising and Portals One of the University's most important goals is to ensure timely graduation of its students and subsequent entrance into the job market or graduate studies. Two important technology applications support this goal. The Grad Planner will combine several University systems into a user-friendly tool for students and advisors to plan curriculum choices throughout a student's career. Another application, Portfolio, allows students to collect and present a variety of academic work in an integrated online portfolio, producing a virtual, multi-media history of their academic work and resume material. Additionally, the University will invest further in its student portal strategy, which helps make the University seem smaller and more personalized for students. Through the portal, students can customize their Web space, allowing for integration of course materials, online course enhancements, and advising. It will also serve as the University's integrated delivery system for new learning and advising strategies such as Grad Planner and Portfolio.

Relationship to Base Budget

Funding the University's enrollment adjustment plus the academic initiative requests of \$42 million each year will increase the University's annual recurring General Fund appropriations to \$607,455,000 and \$649,455,000 respectively, or \$1,256,910,000 for the biennium. This represents a biennial funding level that remains approximately \$25 million below what the FY 2003 appropriation (at the end of the 2002 legislative session) would have generated had it been carried forward unchanged.

Key Measures

The new financial system will result in improved internal controls; more comprehensive reporting options for financial information; automated and streamlined business processes; and greater flexibility in the budget and reporting processes.

- ⇒ Investment in the national research networks will increase the University's ability to successfully compete for research grants.
- ⇒ Expanding the imaging system will result in business process efficiencies and savings in the area of document storage and retrieval, potentially saving \$1 million annually.
- ⇒ An improved data storage strategy will simplify data storage by creating shared storage space that can be used by many applications for many purposes, and will reduce costs, security risks and noncompliance risks associated with private data.
- ⇒ Investments in classroom technology will provide for an adequate lifecycle replacement strategy for all technology installed over the past several years and will ensure updated technology is in place in nearly all classrooms.
- ⇒ Improved tools for students to manage their curriculum and work with advisors will help to improve the University's retention and graduation rates.
- ⇒ An enhanced portal strategy has the potential of becoming an outreach tool for Minnesotans by allowing citizens to access different parts of the University in individualized ways.

Alternatives Considered

This request is the result of an integrated process for setting priorities, improving results and measuring success. The four critical activities of strategic positioning; financial planning; operational and tactical planning; and documentation of accountability and improvement result in the identification of those initiatives in which investment is critical for the University of Minnesota and the state. The state is being asked to partner with the University in funding those initiatives that will maintain the University's competitiveness, foster continued economic development, and preserve the quality of life that Minnesotans value. The University's responsibility in this partnership will be to cover the costs of faculty and staff base compensation increases, ensure continued operation of facilities infrastructure, meet inflationary support costs, and make selected investments to strengthen academic and service programs.

UNIVERSITY OF MINNESOTA

Program: LCMR/MN RESOURCES

Agency Change Item: LCMR Recommendations

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	2,237	2,237	0	0
Revenues	0	0	0	0
Net Fiscal Impact	2,237	2,237	0	0

LCMR Recommendations:

1. W-05 - Unwanted Hormone Therapy: Protecting Water & Public Health – Dept. of Civil Engineering
Funding: FY06 - \$150,000 and FY07 - \$150,000
2. W-12 - Climate Change impacts on Minnesota's Aquatic Resources - NRRI
Funding: FY06 - \$125,000 and FY07 - \$125,000
3. W-44 - Upgrades to Research Vessel Blue Heron - Large Lakes Observatory
Funding: FY06 - \$147,750 and FY07 - \$147,750
4. H-01 - Integrated & Pheromonal Control of Carp - Continuation
Funding: FY06 - \$250,000 and FY07 - \$250,000
5. H-10 - Third Party Certification of Private Woodlands - Cloquet Forestry Center
Funding: FY06 - \$151,000 and FY07 - \$151,000
6. H-04 - Evaluating Riparian Timber Harvesting Guidelines: Phase 2 - Continuation – Dept. of Forest Resources
Funding: FY06 - \$150,000 and FY07 - \$150,000
7. H-20 - Cedar Creek Savanna & Prairie Restoration & Interpretation - Cedar Creek Natural History Area
Funding: FY06 - \$200,000 and FY07 - \$200,000
8. H-42 - Land Acquisition, Minnesota Landscape Arboretum
Funding: FY06 - \$325,000 and FY07 - \$325,000
9. E-02 - Wind to Hydrogen Demonstration & 100% Biodiesel Evaluation - Central Research & Outreach Ctr.
Funding: FY06 - \$400,000 and FY07 - \$400,000
10. E-06 - Biomass-Derived Oils for Generating Electricity & Reducing Emissions
Funding: FY06 - \$75,000 and FY07 - \$75,000
11. E-14 - Economic Development via Energy Independence - Duluth
Funding: FY06 - \$120,000 and FY07 - \$120,000
12. R-15 - Regional Parks for Minnesota's New Urban Areas – Dept. of Forestry
Funding: FY06 - \$43,000 and FY07 - \$43,000
13. R-24 - Minnesota River Trail Communities: Design Trails & Waterfronts - Ctr. for Changing Landscapes
Funding: FY06 - \$100,000 and FY07 - \$100,000

Agency Purpose

The University of Minnesota is both the state's land-grant university, with a strong tradition of education and public service, and a major research institution, with faculty of national and international reputation. Its statutory mission is to "offer undergraduate, graduate, and professional instruction through the doctoral degree, and [to] be the primary state supported academic agency for research and extension services." (M.S. 135A.052)

The University of Minnesota, founded in 1851, has four campuses (Twin Cities, Duluth, Morris, Crookston), a collaborative center at Rochester, and research and outreach centers and regional extension offices throughout the state.

The University of Minnesota is a multi-campus university. The chief operating officers for the Twin Cities campus also serve as the senior officers for the entire University.

The Twin Cities campus is one of the three largest campuses in the country in terms of enrollment (49,500 students) and also one of the most comprehensive. It is the state's major research campus and with more than \$500 million annually in research grant awards, it accounts for more than 98% of all research expenditures at Minnesota's higher education institutions, both public and private.

The Duluth campus (10,000 students) is a comprehensive regional university that offers instruction through the master's degree and has unique research strengths in natural and fresh water resources.

The Morris campus (1,900 students) provides an innovative and high quality residential undergraduate liberal arts education to a very select and intellectually-gifted student body.

The Crookston campus (2,300 students) provides career-oriented education at the baccalaureate level, primarily in poly-technical disciplines.

The Rochester collaborative center is focused on meeting the educational needs of the Rochester area at the upper division and post-baccalaureate levels.

Core Functions

The University of Minnesota's three mission activities are 1) teaching and learning, 2) research and discovery, and 3) outreach and public service.

Teaching and Learning: The University of Minnesota provides instruction through a broad range of educational programs that prepare undergraduate, graduate, and professional students for productive roles in society.

Research and Discovery: The University of Minnesota generates and preserves knowledge, understanding, and creativity by conducting research, scholarship, and artistic activity.

Outreach and Public Service: The University of Minnesota exchanges its knowledge and resources with society by making them accessible to the citizens of the state.

At A Glance

Governance:

The University of Minnesota is governed by a 12-member, legislatively appointed Board of Regents.

Statewide Presence:

- ◆ 4 campuses (Crookston, Duluth, Morris, Twin Cities)
- ◆ 1 collaborative center in Rochester
- ◆ 6 research & outreach centers (Crookston, Grand Rapids, Lamberton, Morris, Rosemount, Waseca)
- ◆ 18 regional University of Minnesota Extension Service offices

Annual Budget:

\$2.18 billion (FY 2003 actual revenues)

Student Enrollment (Fall 2003):

40,324	Undergraduate
13,382	Graduate
2,923	Professional
<u>7,140</u>	<u>Non-Degree</u>
63,769	TOTAL for all campuses

Faculty and Staff (Fall 2003):

17,918	Faculty and Staff
13,654	Student Workers

Operations

The University of Minnesota conducts its mission activities from its campuses and other facilities throughout the state. Each year, the University of Minnesota:

- ◆ provides instruction for more than 60,000 students;
- ◆ graduates nearly 11,000 students, 35% with graduate or first professional degrees;
- ◆ conducts approximately \$500 million in research sponsored by the National Institutes of Health, the National Science Foundation, many other federal agencies, and numerous private companies and foundations; and
- ◆ reaches out to more than one million Minnesotans through various outreach and public service activities.

Budget

The University of Minnesota's FY 2003 revenues of \$2.18 billion are a combination of five main sources of revenue:

- | | |
|--------------------------------|---------------------|
| ◆ Gifts, Grants, and Contracts | \$740 million / 34% |
| ◆ State Appropriations: | \$637 million / 29% |
| ◆ Tuition and Fees: | \$430 million / 20% |
| ◆ Sales Revenue: | \$343 million / 16% |
| ◆ Endowment/Other: | \$34 million / 1% |

The University of Minnesota's total state appropriation includes both a general unrestricted appropriation that supports the University's core operations and appropriations that are restricted to special purposes (e.g., University of Minnesota Extension Service).

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Dollars in Thousands

	Current		Governor Recomm.		Biennium 2006-07
	FY2004	FY2005	FY2006	FY2007	
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	290	291	291	291	582
Recommended	290	291	2,237	2,237	4,474
Change		0	1,946	1,946	3,892
% Biennial Change from 2004-05					670.1%
General					
Current Appropriation	547,284	550,067	550,067	550,067	1,100,134
Recommended	547,284	550,067	608,567	612,067	1,220,634
Change		0	58,500	62,000	120,500
% Biennial Change from 2004-05					11.2%
Health Care Access					
Current Appropriation	2,157	2,157	2,157	2,157	4,314
Recommended	2,157	2,157	2,157	2,157	4,314
Change		0	0	0	0
% Biennial Change from 2004-05					0%
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	290	291	2,237	2,237	4,474
General	547,284	550,067	608,567	612,067	1,220,634
Health Care Access	2,157	2,157	2,157	2,157	4,314
Open Appropriations					
Special Revenue	23,359	21,861	21,644	21,429	43,073
Statutory Appropriations					
Miscellaneous Agency	5,600	4,918	5,858	5,862	11,720
Total	578,690	579,294	640,463	643,752	1,284,215
<u>Expenditures by Category</u>					
Local Assistance	578,690	579,294	640,463	643,752	1,284,215
Total	578,690	579,294	640,463	643,752	1,284,215
<u>Expenditures by Program</u>					
Maintenance & Operations	547,284	550,067	593,567	612,067	1,205,634
Medical Education	25,516	24,018	23,801	23,586	47,387
Permanent University Fund	5,600	4,918	5,858	5,862	11,720
Lcmr/Mn Resources	290	291	2,237	2,237	4,474
Special Projects	0	0	15,000	0	15,000
Total	578,690	579,294	640,463	643,752	1,284,215

Program Description

The University of Minnesota, through its land grant mission of teaching and learning, research and discovery, and public engagement, is dedicated to advancing knowledge and serving as a partner for the public good. Each year, the University serves more than 60,000 students, conducts approximately \$500 million in externally sponsored research and reaches out to more than one million Minnesotans through public service activities. All of the various activities necessary to bring this three-part mission to life make up the “program” of maintenance and operations.

State appropriations to the University are allocated throughout the system. State funding supports the work on each campus, across all units, in each college, and across a wide variety of departments and centers. The state special appropriations are restricted to particular purposes as indicated in law, while the general operations and maintenance appropriation is unrestricted and is used to support a portion of the University’s core cost of instruction, research, public service, academic support, institutional support, student services and support, and operation and maintenance of the physical plant. Combined, these functions categories of expense make up the total of University operations.

Population Served

The University of Minnesota provides services to students and citizens of the state. Some of the University’s services are so far-reaching that citizens of the nation and the world are beneficiaries. The University’s missions of teaching and learning, research and discovery, and outreach and public service are mutually reinforcing activities and often intersect in the delivery of services.

The *instructional mission* serves students throughout their lifetimes and is delivered in different modalities—from classroom instruction, to the Internet, to outreach activities in local communities. Over 60,000 students enroll in undergraduate, graduate, and professional degree programs at the University. Programs at the University can be viewed at

http://www1.umn.edu/twincities/02_academics.php#1 Talented secondary students receive instruction through the Post-Secondary Education Option Act, the Talented Youth Mathematics program, the Native Americans Into Medicine High School Superstar Program, and many other programs. Adult learners have opportunities through online courses, professional development courses, and certificate programs, as well as educational outreach programs in communities throughout the state.

Research conducted at the University of Minnesota benefits the state and all of society. Research fuels job creation—for every \$1 million spent on university-based research, 38.1 jobs are created in Minnesota. Research expands the sum of human knowledge and research labs provide the training ground for future scientists. Research at the University has resulted in discoveries and inventions in agriculture, medicine, engineering, and other fields. Many start-up companies have been formed and technologies licensed as a result of University research. Discoveries — from seed stock to plant varieties, from animal vaccines to drugs for humans, from medical devices to engineering applications — all contribute to the high quality of life in Minnesota. Current

Program at a Glance

Governance

The University of Minnesota is governed by a 12-member, legislatively-appointed Board of Regents.

Instruction

Student Enrollment (Fall 2003):	
40,324	undergraduate
13,382	graduate
2,923	professional
<u>7,140</u>	<u>non-degree</u>
63,769	TOTAL for all campuses

- ◆ Twelve academic programs rank in the top 15 nationally
- ◆ More than 11,500 degrees awarded in 2003
- ◆ More than 75% of all freshman live on campus

Research

- ◆ \$513 million in research grant awards in FY 2003; \$339 million from federal agencies and the balance from private sources, industry, and state and local governments
- ◆ 98% of research and development conducted by higher education institutions in Minnesota is conducted at the University of Minnesota
- ◆ 53 patents issued to U researchers in 2003 and 53 new technologies licensed

Public Service

- ◆ More than 1 million people served annually
- ◆ Regional Extension offices that serve all of Minnesota
- ◆ 6 research and outreach centers in state

University of Minnesota research programs are sponsored by hundreds of federal agencies, private foundations, and private companies. These sponsors are among the many who are served by the University. Highlights of FY 2004 research activity are at <http://www.ospa.umn.edu/communications/publications/gateway/summer04.pdf>

The *outreach and public service mission* of the University serves communities throughout the state. Outreach programs serve as a way to transfer and exchange knowledge between the University and society. A full range of University expertise is offered to respond to the diverse needs of the citizens of the state. More than one million people are served annually by University public service activities. The largest program is the University of Minnesota Extension Service. Examples of the wide range of other programs available are: mini-medical school, a swine disease eradication program, telemedicine, economic development for northeastern Minnesota, a health care purchasing alliance, cooperative programs with school districts, and technology training. The Minnesota Geological Survey, the Veterinary Diagnostics Laboratory, and the Center for Urban and Regional Affairs are just a few of the centers at the University offering outreach services. University of Minnesota faculty who are veterinarians, dentists, pharmacists, and physicians also provide a special kind of public service through their clinical work at the University and affiliated hospitals and clinics.

Services Provided

The University of Minnesota's three mission activities are 1) teaching and learning, 2) research and discovery, and 3) outreach and public service.

1. **Teaching and Learning:** The University of Minnesota provides instruction through a broad range of educational programs that prepare undergraduate, graduate, and professional students for productive roles in society.
2. **Research and Discovery:** The University of Minnesota generates and preserves knowledge, understanding, and creativity by conducting research, scholarship, and artistic activity.
3. **Outreach and Public Service:** The University of Minnesota exchanges its knowledge and resources with society by making them accessible to the citizens of the state.

Historical Perspective

Over the past decade, the University has given high priority to continuing the improvement of its undergraduate, graduate, and professional programs as can be measured by the success of its students (e.g., increased applications, quality of applicants, student satisfaction, and graduation and retention rates). The University offers unique opportunities to its undergraduates through its Undergraduate Research Opportunities Program, intensive seminars with distinguished faculty, and a wealth of disciplines for study, including many cutting-edge interdisciplinary fields. The University has also expanded residential learning—an educational model in which students with shared academic interests choose to reside together. And in cooperation with the state of Minnesota, the University has invested more than \$1 billion in capital improvements on all of its campuses to enhance the learning and research environments for students.

The University continues to grow its highly ranked research endeavor to meet the needs of the state and nation. In FY 2003, the University was awarded \$513 million in grants to pursue research activities. Included in this figure is approximately \$339 million from federal agencies; additional grants were received from business and industry as well as state and local governments. The University was issued 53 patents in FY 2003, currently has more than 580 active licenses with industry, and is ranked sixth nationally in the number of start-up companies formed as a result of university research.

Throughout the decades, the University has fulfilled its mission as the state's land-grant university through numerous public service and outreach activities. The best known, the University of Minnesota Extension Service, is one of the principle ways in which the University delivers the practical applications of its research to the citizens of the state. Through the commercialization of technology, continuing education programs, medical and dental clinics, and numerous other public engagement activities, the University of Minnesota enriches the lives of all Minnesotans.

Key Measures

In 2000, the Board of Regents requested that three institutional reports — institutional measures, unit compact plans, and an annual academic plan and report — be consolidated into one comprehensive report. This consolidated report, the University Plan, Performance, and Accountability Report, is available at <http://www.evpp.umn.edu/uplan/2003/1titlepage2.pdf> This report provides an overview of the University of Minnesota and its academic priorities, accountability measures for each campus, as well as University-wide measures related to public engagement, efficiency and effectiveness, and finances.

Program Funding

The general state appropriation for the University of Minnesota totaled \$545 million in FY 2003. In addition to this general appropriation, the University receives restricted state funding for specific purposes at the University. Among these restricted appropriations are the four separate appropriations called State Specials (\$72 million in FY03); revenue from a portion of the cigarette tax that provides funding to the Academic Health Center)*; MinnesotaCare funds for primary care resident educational programs (\$2.5 million in FY03); and various Legislative Commission on Minnesota Resources (LCMR) funded projects.

Combined, these general and restricted sources of state funding supported approximately 29% of the University's FY 2003 total budget.

*Note: In FY03 the Academic Health Center received statutorily appropriated income from the two medical education endowments established with tobacco settlement revenue (\$18.9 million in FY03). In FY04 this funding source was replaced with a dedication of 6.5 cents per pack of cigarette tax revenues.

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UNIVERSITY OF MINNESOTA**Program: MAINTENANCE & OPERATIONS****Enrollment Adjustment**

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	\$58,362	\$15,388	\$15,388	\$15,388
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$58,362	\$15,388	\$15,388	\$15,388

Agency Request

Per Minnesota Statutes, section 135A.031, the University of Minnesota is requesting an appropriation increase of \$42,974,000 nonrecurring and \$15,388,000 recurring beginning in FY 2006 to fund state obligations for the funding formula enrollment adjustment.

Background

The current funding formula for higher education has been in place since the 1996-1997 biennium. It was designed to recognize that certain costs at higher education institutions are variable and change with enrollment. Essentially, the formula recognizes that 65% of the instructional services base of each institution will fluctuate with each 2% change in enrollment.

In FY 2004, the funding formula enrollment adjustment for the University was \$9,035,000 recurring and a negative (\$3,163,000) nonrecurring. Although the University's total appropriation was decreased for FY 2004, the overall calculations did recognize these stated enrollment adjustment amounts in arriving at the final reduced appropriation. The recurring adjustment of \$9,035,000 was based on an actual 6% enrollment increase in FY 2002 over the FY 2001 enrollment base. The additional negative (\$3,163,000) base adjustment in FY 2004 was made to back out a nonrecurring positive adjustment of that same amount in the previous year. No funding adjustment was made for actual or estimated enrollments related to FY 2003, 2004 or 2005.

The University's actual 2003 enrollment exceeded the enrollment base by an additional 6%. This generates a funding adjustment of \$12,198,000 based on 65% of the FY 2003 instructional base. Because the University's FY 2004 and 2005 appropriations did not include any adjustment related to FY 2003 enrollments, the request for FY 2006 includes three years of nonrecurring funding ($\$12,198,000 \times 3 = \$36,594,000$) for the years 2003, 2004 and 2005 plus the recurring adjustment associated with that year (\$12,198,000).

In addition, the University's actual 2004 enrollment exceeded the enrollment base that year by 2%. This generates a funding adjustment of \$3,190,000 based on 65% of the FY 2004 instructional base. Again, because the University's FY 2004 and 2005 appropriations did not include any adjustment related to FY 2004 enrollments, the request for FY 2006 includes two years of nonrecurring funding for 2004-2005 (\$6,380,000) plus the recurring funds associated with that year (\$3,190,000).

This request does not include any adjustments related to estimated enrollments for FY 2005, 2006 or 2007. As allowed by the formula, the University calculates its funding enrollment adjustments solely on a lagged basis, based on actual enrollments, rather than on projected future enrollments. Therefore, the 2008-2009 biennial request will include adjustments related to FY 2005 and 2006, should enrollments continue to exceed the base.

INSTRUCTIONAL BASE CALCULATIONS (Per M.S. 135A)

Enrollment Summary (FYE Students) :	Actual FY2003	Actual FY2004	Projected FY2005	Projected FY2006	Projected FY2007	Adjustment Summary:	Adjusted Approp.	Tuition @ 33%	Legislative Calculated Spending	
Undergraduate										
Lower Division	19,978	19,716	19,775			FY 2003				
Upper Division	22,062	23,003	23,072			FY 2003 Instruction (recurring only)	312,781	154,056	466,837	
Subtotal	42,040	42,719	42,847	-	-					
Less: NRNR & MFS (1)	2,427	3,436	3,450			Fixed Base @ 35%	109,473	53,920	163,393	
Total UG	39,613	39,283	39,397	-	-	Variable Base @ 65%	203,308	100,137	303,444	
Graduate	4,271	4,442	4,815			Applicable Adjustment Factor	6.00%	12,198	6,008	18,207
Professional	12,417	13,042	13,577			Adjusted Instructional Base	324,979	160,065	485,044	
Marginally Funded Students										
PSEO	297	447	450							
Midwest Compact	282	352	360							
Subtotal	579	799	810	-	-	FY 2004				
Weight @ .5	290	400	405	-	-	FY 2004 Instruction (recurring only)	245,347	120,843	366,190	
Total Formula Enrollment	56,591	57,167	58,194	-	-	Fixed Base @ 35%	85,871	42,295	128,166	
Enrollment Base (calculated)	52,612	55,768	56,884	56,884	56,884	Variable Base @ 65%	159,476	78,548	238,023	
Percent Change From Base	7.56%	2.51%	2.30%	-100.00%	-100.00%	Applicable Adjustment Factor	2.00%	3,190	1,571	4,760
Allowable Adjustment Factor	6.00%	2.00%	2.00%			Adjusted Instructional Base	248,537	122,414	370,950	
<hr/>										
Past Estimated Adjustments and Corrections										
FY03 To Be Corrected in F.Y. 2006 (NR)	12,198	12,198	12,198	36,595						
FY04 To Be Corrected in F.Y. 2006 (NR)		3,190	3,190	<u>6,379</u>						
Total Nonrecurring Corrections in FY06				42,974						
Recurring Amounts for F.Y. 2006 & F.Y. 2007				<u>15,388</u>	<u>15,388</u>					
Total Appropriation Change				58,362	15,388					

Note: No adjustments are being made related to F.Y 2005, F.Y. 2006 or F.Y. 2007
 (1) Non-resident non-reciprocity and Marginally funded students

UNIVERSITY OF MINNESOTA
 Program: MAINTENANCE & OPERATIONS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2006-07
	FY2004	FY2005	FY2006	FY2007	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	547,284	550,067	550,067	550,067	1,100,134
Technical Adjustments					
November Forecast Adjustment			58,362	15,388	73,750
Subtotal - Forecast Base	547,284	550,067	608,429	565,455	1,173,884
Governor's Recommendations					
Enrollment Adjustment		0	(58,362)	(15,388)	(73,750)
Biosciences for a Healthy Society		0	12,000	24,000	36,000
Competitive Compensation		0	5,000	10,000	15,000
Research Support		0	20,000	15,000	35,000
Preparing Students for 21st Century Econ		0	6,500	13,000	19,500
Total	547,284	550,067	593,567	612,067	1,205,634
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	547,284	550,067	593,567	612,067	1,205,634
Total	547,284	550,067	593,567	612,067	1,205,634
<u>Expenditures by Category</u>					
Local Assistance	547,284	550,067	593,567	612,067	1,205,634
Total	547,284	550,067	593,567	612,067	1,205,634
<u>Expenditures by Activity</u>					
Maintenance & Operations	547,284	550,067	593,567	612,067	1,205,634
Total	547,284	550,067	593,567	612,067	1,205,634

UNIVERSITY OF MINNESOTA
 Program: MEDICAL EDUCATION

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Direct Appropriations by Fund</u>					
Health Care Access					
Current Appropriation	2,157	2,157	2,157	2,157	4,314
Subtotal - Forecast Base	2,157	2,157	2,157	2,157	4,314
Total	2,157	2,157	2,157	2,157	4,314
 <u>Expenditures by Fund</u>					
Direct Appropriations					
Health Care Access	2,157	2,157	2,157	2,157	4,314
Open Appropriations					
Special Revenue	23,359	21,861	21,644	21,429	43,073
Total	25,516	24,018	23,801	23,586	47,387
 <u>Expenditures by Category</u>					
Local Assistance	25,516	24,018	23,801	23,586	47,387
Total	25,516	24,018	23,801	23,586	47,387
 <u>Expenditures by Activity</u>					
Minnicare	2,157	2,157	2,157	2,157	4,314
Medical Education	23,359	21,861	21,644	21,429	43,073
Total	25,516	24,018	23,801	23,586	47,387

UNIVERSITY OF MINNESOTA
 Program: LCMR/MN RESOURCES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	290	291	291	291	582
Technical Adjustments					
One-time Appropriations			(291)	(291)	(582)
Subtotal - Forecast Base	290	291	0	0	0
Governor's Recommendations					
LCMR Projects		0	2,237	2,237	4,474
Total	290	291	2,237	2,237	4,474
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	290	291	2,237	2,237	4,474
Total	290	291	2,237	2,237	4,474
<u>Expenditures by Category</u>					
Local Assistance	290	291	2,237	2,237	4,474
Total	290	291	2,237	2,237	4,474
<u>Expenditures by Activity</u>					
Lcmr/Mn Resources	290	291	2,237	2,237	4,474
Total	290	291	2,237	2,237	4,474

UNIVERSITY OF MINNESOTA

Program: PERMANENT UNIVERSITY FUND

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2006-07
	FY2004	FY2005	FY2006	FY2007	
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Miscellaneous Agency	5,600	4,918	5,858	5,862	11,720
Total	5,600	4,918	5,858	5,862	11,720
<u>Expenditures by Category</u>					
Local Assistance	5,600	4,918	5,858	5,862	11,720
Total	5,600	4,918	5,858	5,862	11,720
<u>Expenditures by Activity</u>					
Permanent University Fund	5,600	4,918	5,858	5,862	11,720
Total	5,600	4,918	5,858	5,862	11,720

UNIVERSITY OF MINNESOTA
 Program: SPECIAL PROJECTS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Biotech & Genomics Research Partnership		0	15,000	0	15,000
Total	0	0	15,000	0	15,000
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	0	0	15,000	0	15,000
Total	0	0	15,000	0	15,000
<u>Expenditures by Category</u>					
Local Assistance	0	0	15,000	0	15,000
Total	0	0	15,000	0	15,000
<u>Expenditures by Activity</u>					
Special Projects	0	0	15,000	0	15,000
Total	0	0	15,000	0	15,000