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2016-17 Governor's Budget - University of Minnesota

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AT A GLANCE

- Five Campuses (Crookston, Duluth, Morris, Rochester, Twin Cities)
- Seven Research and Outreach Centers throughout the state (previously referred to as Agricultural Experiment Stations)
- FY15 approved budget of \$3.4 billion
- October 2013: 19,592 faculty and staff employees; 6,088 graduate student and professionals in training employees
- Fall 2013 Enrollment:
 - 43,646 Undergraduate
 - 13,606 Graduate
 - 4,194 First Professional
 - 6,601 Non Degree
 - 68,047 Total
- Sponsored Research Awards totaled \$741 million in 2014

PURPOSE

The University of Minnesota's statutory mission is to offer undergraduate, graduate and professional instruction through the doctoral degree, and be the primary state supported academic agency for research and extension service (MN Statute 135A.052). The University's mission is threefold: research and discovery, teaching and learning, and outreach and public service.

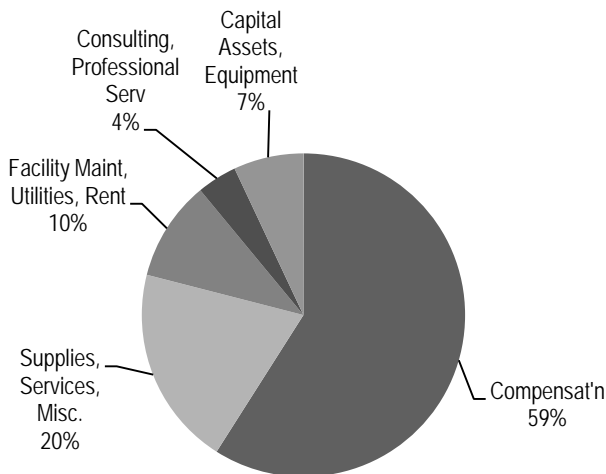
The University of Minnesota is the state's only land grant and research institution, and has a unique responsibility to better the lives of Minnesotans through education, research and public engagement. As one of the nation's top research institutions, the University is a venue where human talent, ideas and innovations, and discoveries and services converge to advance Minnesota's economy and quality of life.

In carrying out its mission on five campuses and throughout the state, the University contributes directly to the following statewide outcomes:

- A thriving economy that encourages business growth and employment opportunities;
- Minnesotans have the education and skills needed to achieve their goals;
- All Minnesotans have optimal health, and Sustainable options to safely move people, goods, services & information.

BUDGET

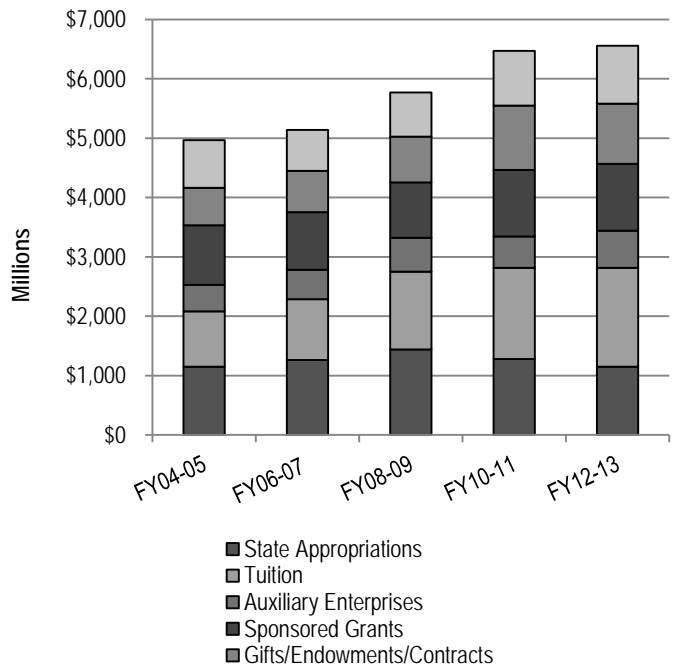
**Spending by Expense Category
FY 13 Actual**



(University of Minnesota - all funds)

Source: U of MN Enterprise Financial System

Historical Revenues



Source: U of MN Enterprise Financial System and State Law – State Appropriation includes general fund, Hlth Care Access, Tobacco Endowment/Cigarette Tax, LCCMR

The University's FY15 \$3.4 billion budget is built on revenue support from a variety of sources: tuition (25%), state appropriation (19%), sponsored research grants from the federal government and other sources (17%), restricted gifts and contracts (15%), miscellaneous income from sales, fees, etc. (14%) and auxiliary business operations (10%). In approving recent annual operating budgets, the President and the University of Minnesota Board of Regents have focused revenue and spending plans on achieving the goals of Access, Affordability, Academic and Operational Excellence, and Accountability.

STRATEGIES

The University is finalizing a strategic plan for the Twin Cities campus. This plan will be aligned with existing plans for the system campuses and will provide a roadmap for advancing the University's mission over the next three to five years. The Board of Regents is expected to act on adopting the new strategic plan at its October 2014 meeting. The plan articulates a new, inspirational vision: "[to] be preeminent in solving the grand challenges of a diverse and changing world." In pursuit of this vision, the University will:

- Leverage its breadth and depth to capitalize on its exceptional students, faculty, staff and location to generate and disseminate new knowledge and insights
- Create an educated populace able to identify, understand, and solve demanding problems
- Leverage divergent paths of knowledge and creativity to address grand challenges
- Partner with communities and the people of the State of Minnesota to benefit the common good

To this end, the University is advancing four broad goals, each with related strategies and tactics:

- **Goal 1) Build an exceptional University where grand societal challenges are addressed.** Strategies – Educate, cultivate, and empower leaders to foster institutional and societal change; target resources that will build capacity to harness the University's depth and breadth to address these grand challenges; prepare students who can uniquely contribute to solving grand societal challenges; transform curricula in a way that combines grand challenges with disciplines; and coordinate and leverage research in institutionally crosscutting areas of strength
- **Goal 2) Support excellence and, with intention, reject complacency.** Strategies – Establish incentives for creative disruption and accept productive tension; increase efforts to empower individual initiatives; streamline rules and regulations; measure and set goals for meaningful diversifying experiences
- **Goal 3) Establish a culture of reciprocal engagement, capitalizing on our unique location.** Strategies – Better leverage our location for the mutual benefit of the University and the community to contribute to and benefit from a vibrant and enriching economic, creative, social, and intellectual environment; and clearly define and embrace what it means to be a land grant research university in the 21st century
- **Goal 4) Aggressively recruit, retain and promote field shaping researchers and teachers.** Strategies – Build a pipeline to recruit and retain the best and brightest field shaping teachers and researchers; support their work with needed infrastructure and a culture of high expectations; reduce barriers to productive work across disciplines and advance partnerships between institutions; and accelerate transfer of knowledge for the public good

The final plan will include short and long term actions in each of these goal areas and each campus will align its unique goals that meet the needs of the students and regions they serve.

RESULTS

In 2013, the Minnesota Legislature approved five performance measures (Minnesota Laws 2013, Chapter 99) for the University of Minnesota and made five percent of the University's fiscal year 2015 funding conditional on meeting at least three of those five performance goals. The University and the Minnesota Office of Higher Education agreed to the specific numerical indicators and definitions for the goals in the summer of 2013.

The five performance goals relate to: graduation rates and degrees awarded to general student populations and specific subsets of that student population; reductions in administrative costs, and the number of inventions or original creations with commercial or public value disclosed by University researchers. Below is information assembled on each of the performance measures in legislation, with base level indicators and definitions.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Goal</i>	<i>Progress to Date</i>	<i>Dates</i>
Results	Twin Cities Graduation Rate – Low Income Students (3 year average): a) 4 year; b) 5 year; c) 6 year	a – 38.9% b – 53.3% c – 56.8%	Increase each by at least 1%	On track	Early 2015
Quantity	Twin Cities Undergraduate STEM Degrees Conferred (3 year average)	2,557	Increase by at least 3%	On track	Early 2015
Results	Twin Cities Undergraduate Freshmen Graduation Rate (3 year average): a) 4 year; b) 5 year; c) 6 year	a – 47.9% b – 65.0% c – 67.7%	Increase each by at least 1%	On track	Early 2015
Quality	Administrative Cost Reductions	NA	At least \$15 million in FY14	On track	Early 2015
Result	Invention Disclosures	330 est.	Increase FY14 by 3% over FY13	On track	Early 2015

Performance measure notes:

For measures one and three, the base three year average for the four year rate is calculated on freshmen entering the fall of 2006, 2007, 2008; the three year average for the five year rate is calculated on freshmen entering the fall of 2005, 2006, 2007, and the three year average for the six year rate is calculated on freshmen entering the fall of 2004, 2005, 2006. The goal metric will be calculated as the three year average related to the freshmen entering two years later for each cohort (e.g. for the four year rate the goal years will be the average of freshmen entering the fall of 2008, 2009, 2010).

Measure two will be the total undergraduate STEM degrees awarded by the Twin Cities campus in fiscal years 2012, 2013, 2014 compared to the same measure in fiscal years 2010, 2011, 2012.

For measure four, administrative cost reductions will be made in the “nonmission” functional areas of academic support, institutional support, student services, auxiliary operations and operations and maintenance of plant.

For measure five, the 330 is an estimate of what was to be reported to the Board of Regents in December of 2013. The total reported in December of 2014 will be compared against the actual number reported in December of 2013.

Finally, within the University’s charter, 1851 Territorial Laws, Chapter 3, Section 16, it is stated that “[the regents shall] make a report annually, to the Legislature...exhibiting the state and progress of the University...and such other information as they may deem proper, or may from time to time be required of them.” Consequently, the University of Minnesota publishes annually the [“University Plan, Performance, and Accountability Report,”](#) which provides a performance baseline for the institution around its key strategic goals, progress appraisal, and identification of areas for improvement (<http://www.academic.umn.edu/accountability/pdf/2013/Accountability-Report-for-BOR-Sept2013Draft.pdf>).

Expenditures By Fund

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY13	FY14	FY15	FY16	FY17	FY16	FY17
1000 - General	527,944	527,944	576,799	599,999	598,949	598,949	625,449	667,649
2000 - Restricted Misc Special Rev	22,356	22,358	22,375	22,360	22,360	22,360	22,360	22,360
2050 - Environment & Natural Resource	2,245	3,882	11,767	16,940	0	0	0	0
2300 - Outdoor Heritage Fund	0	0	1,000	0	0	0	0	0
2302 - Clean Water Fund	0	1,800	615	615	0	0	0	0
2303 - Parks And Trails Fund	0	0	250	0	0	0	0	0
2360 - Health Care Access			2,157	2,157	2,157	2,157	2,157	2,157
3000 - Federal	15	0	0	0	0	0	0	0
6000 - Miscellaneous Agency	11,420	12,451	11,400	15,335	8,902	8,268	8,902	8,268
Total	563,980	568,435	626,363	657,406	632,368	631,734	658,868	700,434
<i>Biennial Change</i>				151,354		(19,667)		75,533
<i>Biennial % Change</i>				13		(2)		6
<i>Governor's Change from Base</i>								95,200
<i>Governor's % Change from Base</i>								8

Expenditures by Program

Program: Permanent University Fund	11,420	12,451	11,400	15,335	8,902	8,268	8,902	8,268
Program: Maintenance and Operations	466,496	466,481	515,211	529,511	533,011	533,011	554,511	576,711
Program: Agriculture Special	42,922	42,922	42,922	42,922	42,922	42,922	42,922	42,922
Program: Health Science Special	27,210	27,212	29,386	33,871	33,721	33,721	38,721	58,721
Program: Technology Special	1,140	1,140	1,140	1,140	1,140	1,140	1,140	1,140
Program: System Specials	5,056	5,056	5,181	5,181	5,181	5,181	5,181	5,181
Program: LCMR/MN Resources	2,245	5,682	13,632	21,955	0	0	0	0
Program: U/mayo Partnership	7,491	7,491	7,491	7,491	7,491	7,491	7,491	7,491
Total	563,980	568,435	626,363	657,406	632,368	631,734	658,868	700,434

Expenditures by Category

Operating Expenses		0	19,557	19,557	19,557	19,557	19,557	19,557
Grants, Aids and Subsidies	563,980	568,435	606,806	637,849	612,811	612,777	639,311	680,877
Total	563,980	568,435	626,363	657,406	632,368	631,734	658,868	700,434

1000 - General

	Actual		Actual FY 14	Estimate FY 15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Direct Appropriation	545,344	545,344	576,799	599,999	598,949	598,949	625,449	667,649
Receipts	0	0	0	0	0	0	0	0
Net Transfers	(17,400)	(17,400)	0	0	0	0	0	0
Expenditures	527,944	527,944	576,799	599,999	598,949	598,949	625,449	667,649
<i>Biennial Change in Expenditures</i>				120,910		21,100		116,300
<i>Biennial % Change in Expenditures</i>				11		2		10
<i>Gov's Exp Change from Base</i>								95,200
<i>Gov's Exp % Change from Base</i>								8

2000 - Restricted Misc Special Rev

	Actual		Actual FY 14	Estimate FY 15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Direct Appropriation	22,250	22,250	22,250	22,250	22,250	22,250	22,250	22,250
Net Transfers	106	108	125	110	110	110	110	110
Expenditures	22,356	22,358	22,375	22,360	22,360	22,360	22,360	22,360
<i>Biennial Change in Expenditures</i>				22		(15)		(15)
<i>Biennial % Change in Expenditures</i>				0		0		0
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

2050 - Environment & Natural Resource

	Actual		Actual FY 14	Estimate FY 15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Balance Forward In				970				
Direct Appropriation	2,245	1,882	11,567	15,970	0	0	0	0
Net Transfers			1,170					
Expenditures	2,245	3,882	11,767	16,940	0	0	0	0
Balance Forward Out			970					
<i>Biennial Change in Expenditures</i>				22,580		(28,707)		(28,707)
<i>Biennial % Change in Expenditures</i>				369		(100)		(100)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

2300 - Outdoor Heritage Fund

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(Dollars in Thousands)

2300 - Outdoor Heritage Fund

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Direct Appropriation			1,000					
Expenditures	0	0	1,000	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				1,000		(1,000)		(1,000)
<i>Biennial % Change in Expenditures</i>						(100)		(100)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

2302 - Clean Water Fund

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Direct Appropriation			615	615	0	0	0	0
Expenditures	0	1,800	615	615	0	0	0	0
<i>Biennial Change in Expenditures</i>				(570)		(1,230)		(1,230)
<i>Biennial % Change in Expenditures</i>				(32)		(100)		(100)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

2303 - Parks And Trails Fund

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Direct Appropriation			250					
Expenditures	0	0	250	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				250		(250)		(250)
<i>Biennial % Change in Expenditures</i>						(100)		(100)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

2360 - Health Care Access

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Balance Forward In		539	0					
Direct Appropriation	2,157	2,157	2,157	2,157	2,157	2,157	2,157	2,157
Receipts	0	0	0	0	0	0	0	0
Net Transfers	(2,157)	(2,157)	0					
Expenditures			2,157	2,157	2,157	2,157	2,157	2,157

(Dollars in Thousands)

2360 - Health Care Access

Balance Forward Out	0	539				
<i>Biennial Change in Expenditures</i>			4,314		0	0
<i>Biennial % Change in Expenditures</i>					0	0
<i>Gov's Exp Change from Base</i>						0
<i>Gov's Exp % Change from Base</i>						0

3000 - Federal

	Actual		Actual FY 14	Estimate FY 15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Receipts	15							
Expenditures	15	0	0	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				(15)		0		0
<i>Biennial % Change in Expenditures</i>				(100)		0		0
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

6000 - Miscellaneous Agency

	Actual		Actual FY 14	Estimate FY 15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Net Transfers	11,420	12,451	11,400	15,335	8,943	8,268	8,943	8,268
Expenditures	11,420	12,451	11,400	15,335	8,902	8,268	8,902	8,268
<i>Biennial Change in Expenditures</i>				2,863		(9,565)		(9,565)
<i>Biennial % Change in Expenditures</i>				12		(36)		(36)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

Change Item: Tuition Freeze Assistance

Fiscal Impact (\$000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	21,500	43,700	43,700	43,700
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	21,500	43,700	43,700	43,700
FTEs	0	0	0	0

Recommendation:

The Governor recommends an increase to the University's Operations and Maintenance (O&M) appropriation of \$21,500,000 in FY16 and \$43,700,000 in FY17 in order to provide a guaranteed two-year 0% tuition increase for the 2015-16 and 2016-17 academic years for University of Minnesota undergraduate, graduate and professional students paying the resident rate.

This proposal represents an annual 3.6% increase to the University's O&M appropriation and will result in an annual increase to the University's total revenues of approximately .6%.

Rationale/Background:

This recommendation will result in a second biennium, four straight years, of zero percent tuition increases for the resident undergraduate rate, saving students beginning fall 2015 and their families an average of \$2,500 over their four-year degree program. This proposal also recognizes the need to reduce tuition increases and student debt levels for graduate and professional students. As the tuition costs and time to degree vary significantly by program at these levels, the savings accruing to the students will also vary. The state and the University must partner to increase access and decrease debt for resident students in order to ensure a highly trained work force for Minnesota.

For undergraduate students that borrow to finance their education (approximately 2/3 of those enrolled), the average debt load upon graduation from the University has risen to approximately \$27,000. At the graduate and professional level, the burden for those with debt upon graduation can range anywhere from \$20,000 to \$200,000. This additional funding from the state, paired with a commitment from the University to implement further cost reductions and reallocations will reduce tuition increases and lower the attendant debt burden for students, making the dream of graduating from the University of Minnesota a reality for more students.

Proposal:

This proposal would provide resources equal to a 3% increase on the resident undergraduate rate and a 3.5% increase on the resident graduate and professional rates to fund essential investments in the University. In return, the Governor asks that the President of the University recommend to the Board of Regents a 0% resident tuition increase for the 2015-16 and 2016-17 academic years for all undergraduate, graduate and professional students.

The University will use the additional revenue from the state, along with planned administrative cost savings and other reallocations of over \$15 million per year, to support competitive salary increases to recruit and retain world-class faculty and staff and to cover cost increases in utilities, safety and security improvements, research and instructional equipment, new building operations, technology licensing, library materials, and so on.

Results:

This recommendation, paired with a 0% tuition increase from the University of Minnesota Board of Regents will result in direct financial benefits for undergraduate students and their families paying the resident tuition rate:

- Reduced undergraduate student tuition charges annually by 2016-17 vs. a 3% increase in each of the next two years:
 - \$734 on the Twin Cities Campus

- \$611 on the Crookston Campus
- \$714 on the Duluth, Morris and Rochester Campuses
- Reduced total tuition burden for incoming freshmen over their four-year degree program –
 - \$2,565 on the Twin Cities Campus
 - \$2,133 on the Twin Cities Campus
 - \$2,493 on the Duluth, Morris and Rochester Campuses

Holding down tuition rates will increase financial access to the University of Minnesota and will increase retention rates of students who might otherwise have dropped out of school for financial reasons. In addition, it will reduce the undergraduate debt burden. For those students that would have borrowed the full amount of a 3% tuition increase these two years, this proposal will reduce the average debt burden by 10%. For the more expensive professional programs, some with great statewide demand but relatively low pay, such as veterinarians, rural physicians, pharmacists and dentists, this proposal could result in a reduction of over \$30,000 in principal and interest payments on student loans.

Approximately 53,000 students and their families would benefit annually from this investment across all five campuses, reducing total tuition burden by approximately \$65 million for the biennium.

The primary statewide outcome that will be impacted by this change item: Minnesotans have the education and skills needed to achieve their goals.

Statutory Change(s):

None

Change Item: Blue Ribbon Commission - Medical School Investment

Fiscal Impact (\$000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	5,000	25,000	25,000	25,000
Revenues	0	0	0	0
Other Funds				
Expenditures				
Revenues				
Net Fiscal Impact = (Expenditures – Revenues)	5,000	25,000	25,000	25,000
FTEs	0	0	0	0

Recommendation:

The Governor recommends a \$30 million investment in FY2016-17 to increase research capacity and improve the University of Minnesota’s Medical School ranking.

Rationale/Background:

The Governor’s Blue Ribbon Commission on the University of Minnesota Medical School was created to advise the Governor and Legislature on future strategies, investments, and actions to strengthen the position of the University’s Medical School. The proposed appropriation is based on the recommendations of the Blue Ribbon Commission. The appropriation will enable the Medical School to hire up to 50 top researchers (Medical Discovery Teams) over eight years in areas that address the state’s most pressing health concerns, are strategically aligned with the Medical School’s strengths, and are congruent with the National Institutes of Health (NIH) funding. Funding will also support critical clinical research support services needed by Medical School faculty.

\$30 million is recommended to:

- Ensure the Medical School’s national preeminence, by attracting and retaining world-class faculty, staff, and students
- Sustain the University’s national leadership in health care research, innovation, and service delivery
- Improve the Medical School’s ranking in NIH funding.
- Translate the Medical School’s research discoveries into new treatments and cures to improve the health of Minnesotans.
- Invest in physician training programs that benefit rural, underserved communities

IT Related Proposals:

None

Results:

The goal for this investment is to increase the recruitment of top researchers and increase the amount of NIH grant funding received by the University. The plan is to hire 8 top researchers in FY 2016-17 and 10 per year thereafter for a total of 50 new researchers.

The Medical School in FY 2014 received \$145 million in NIH grants and ranked 30th. This funding will improve the ranking of the Medical School by increasing NIH grant awards to \$195 million in eight years.

Statutory Change(s):

n/a