

April 28, 2021

Dear Chairs Bernardy, Tomassoni, and Members of the Higher Education Conference Committee:

On behalf of the University of Minnesota, I want to express my gratitude to you and your staff for your accessibility, suggestions, questions, comments, and time spent with us this session in developing your higher education budget bills. We are thankful to know you each understand the importance of the University of Minnesota, and are taking our concerns and positions seriously and into account.

As you begin deliberations in the conference committee, we want to reaffirm our position on certain legislation in the House and Senate bills, pointing out what we support and offering perspective on issues of concern. The following represents our view of the key features of these omnibus bills.

First, we appreciate the increased funding levels included in both the House and Senate bills, and the focus you have placed on the importance of our students and their future success. As you know, the University requested \$46.5 million this biennium from the legislature, with an emphasis on access and affordability, as well as driving investments in key areas of research out service - all guided by our new systemwide strategic plan, MPact 2025.

We are disappointed, however, that neither the House or Senate bills reached the full level of our request. The Senate position of \$15 million in operations & maintenance funding in particular, is very troubling. The Senate level of funding is simply not enough to meet the needs outlined in our request and elaborated upon in our system wide plan. This may lead to higher tuition increases for students and cutbacks on important research initiatives underway - initiatives that will guide our state for the future in areas like health care, natural resources, and agriculture. We urge you to increase funding in the final bill to fully fund the University's biennial budget request.

We appreciate the \$2 million, one-time investment included in the House bill for the Natural Resources Research Institute, or NRRI. The work underway there, as well as at our research facilities and centers across the state, is very important to our state's long-term economy. The Board did not request this funding, however, and neither the House or Senate bills meet the Board's full request. As we have in the past, we respectfully ask you to prioritize the Board of Regents requests before providing resources to other U of M programs.

The University of Minnesota's threefold mission of teaching, research, and service defines the work of our faculty, staff, and students every day. The research and discovery underway at the U of M, in particular, is unique compared to any other higher education institution in the state. It is therefore concerning to see a reduction in funding in the Senate bill for Regenerative Medicine Minnesota (RMM). Right now, the RMM program funds research in heart disease, diabetes, obesity, retinal disease, spinal cord injury, liver disorders, and neurodegenerative disorders to name a few. Our research targets medical needs that are important to Minnesotans and their future health. This partnership with Mayo has been a powerful example of what we can do together on behalf of Minnesota. We were encouraged to see the Senate return some of the funding for RMM in the Finance Committee and provide clarifying language, but the remaining \$1.7 million cut in the Senate bill will weaken our efforts in these fields. We urge you to adopt the House position and fully restore the funding for RMM.

The House and Senate committees have rightfully focused significant discussion this session on the role of funding appropriated from the federal government. This funding flows directly to our institutions and is of vital importance

in helping us close historic, pandemic-driven shortfalls in our FY20 and FY 21 budgets. The federal funding, however, is not enough to cover all our losses, and cannot supplant state funding. Roughly one-half of the funding we received from the federal government will go to students directly, as required. The remaining federal funds for institutional uses leave the University \$131 million short (\$235 million U of M shortfall - \$104 million federal institutional funding). Because of the shortfall after applying the federal funds, we have implemented pay reductions and furloughs, hiring freezes, budget cuts, use of University reserves, and other funding sources to make up the difference.

The federal funding is also not discretionary. It must be spent on pandemic related losses. Therefore, the Senate provision encouraging us to use federal funding to cover a 3% tuition reduction raises legal questions. We believe an investment of state funding in our O&M budget is the proper course to help keep tuition affordable for Minnesota students. Further, the Senate's provision to provide one-time \$500 COVID-19 risk stipends may not be compliant with federal intent and would only serve to add to the total \$235 million shortfall.

With every biennial budget submission to the state, in compliance with Minnesota Statutes 2018, Section 135A.031, Subdivision 7, the University of Minnesota provides an explanation of its administrative costs. In addition, Chapter 64 of Minnesota Session Laws 2019 requested the University of Minnesota prepare a report detailing how we define, categorize, and account for administrative costs. The 2019 report further asks us to identify measures taken to use innovation and cost efficiencies to lower administrative costs. This report is due by July 1, 2021.

With the 135A report submitted last fall, and this new 2019 report imminent, we question whether expending additional administrative costs to complete a third, similar report on administrative costs - as requested in the Senate bill - is necessary. The information requested in the Senate provision is largely assembled in our annual Administrative Cost Benchmarking study provided to the Board and available to the public. Further, an external report in 2020 of the University of Minnesota's administrative costs showed the University to be around the median of its peers in almost all measures, and in some cases among the leaders in a wide variety of categories related to investment in mission-focused activities and staff. We believe these multiple reports provide clear information on administrative costs at the U of M, and may negate the need for us to complete another, similar report as required by the Senate bill.

Again, we are grateful to you and your staff for the thoughtful process put into assembling the higher education budget bill. We appreciate your consideration of our comments here, and we stand ready to help answer any additional questions you may have. Thank you for all that you do for the University of Minnesota.

With warm regards,



Joan T.A. Gabel
President

c: Speaker Melissa Hortman
Senate Majority Leader Paul Gazelka
House Republican Leader Kurt Daudt
Senate Minority Leader Susan Kent