

University of Minnesota Budget Overview

February 10, 2021

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University



Agenda

Overview of Revenues – FY21 Budget = \$3.9b

- State Appropriations and Tuition
- All other Funds (touching on the Endowment)
- Balances and Central Reserves

15
minutes

Overview of Expenditures

The Internal Budget Process and Model

15
minutes

Questions throughout and at the end



Not All Money is “Green”



RESTRICTED

State Specials, Federal Appropriations,
Restricted Gifts & Endowment Income,
Sponsored Grants

SELF-SUPPORTING

Auxiliaries

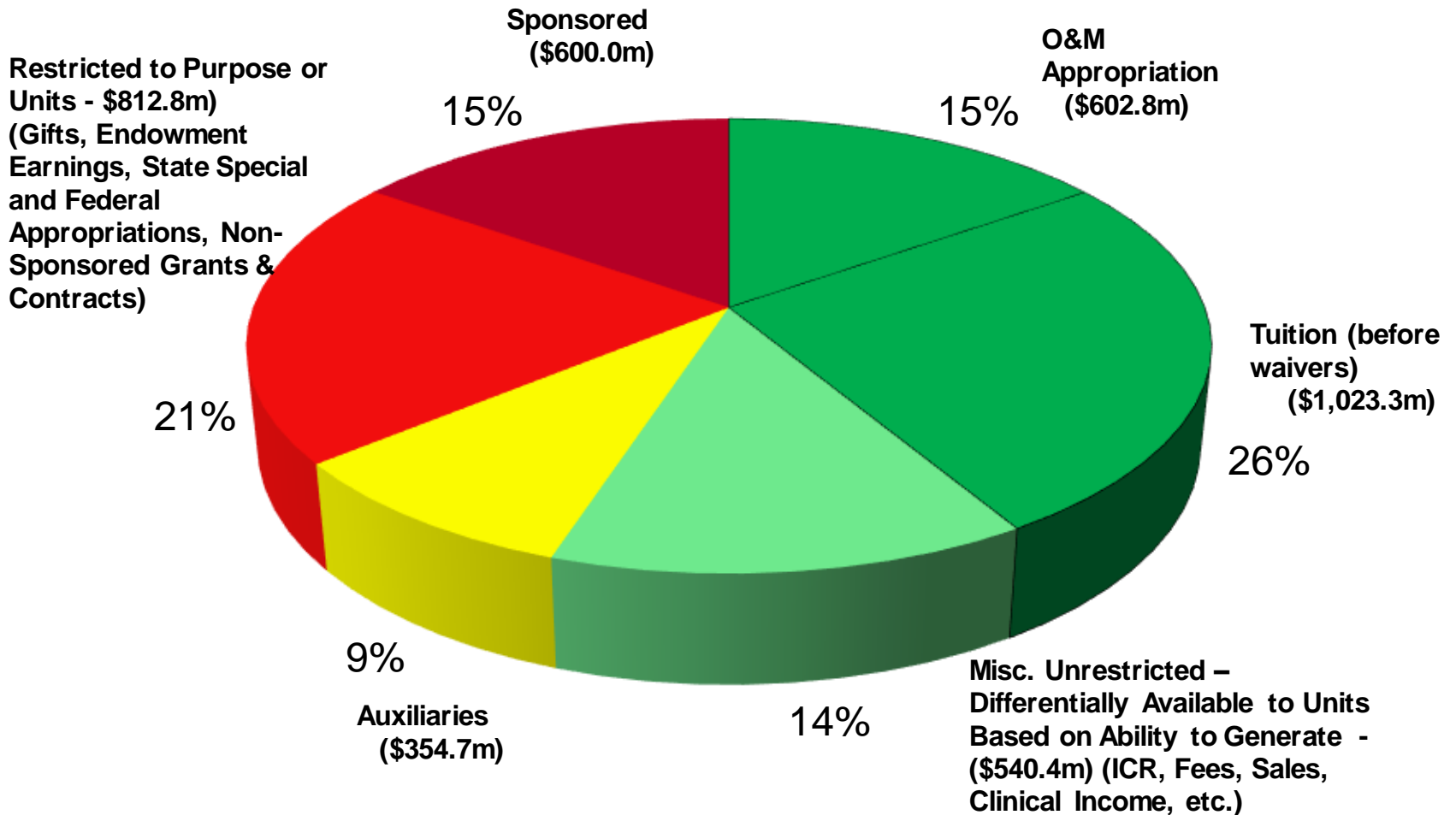
UNRESTRICTED

State O&M Appropriation and Tuition

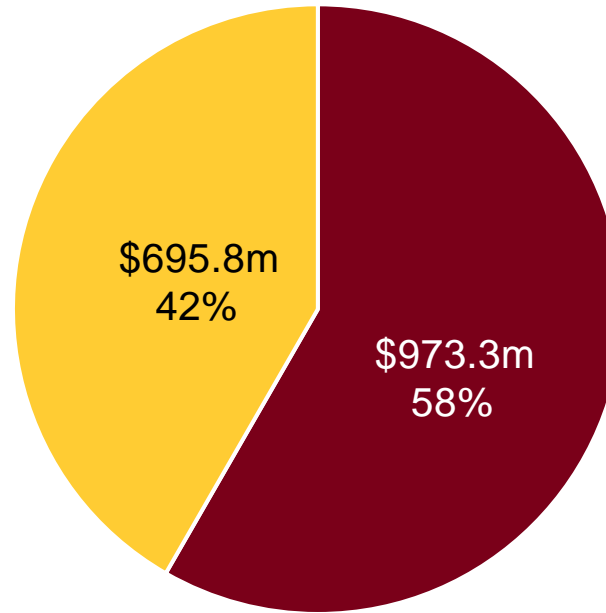
Fees, ICR, Sales & Services, Clinical
Income, Central Reserves,
Unrestricted Gifts



University of Minnesota Revenue Sources By Fund Category-FY21: \$3.9 Billion (excludes internal sales)



FY21 Tuition and State Appropriation



■ Tuition ■ State Appropriation

Tuition = net of waivers

State Appropriation = from the State's General Fund, the Hlth Care Access Fund, & the Cigarette Tax



Tuition

FY21 Undergraduate Tuition

			\$ Inc	% Inc
	Resident	Nonresident	Resident & Nonres.	Resident & Nonres.
Crookston	\$10,594	\$10,594	\$0	0.0%
Duluth	\$12,372	\$17,654	\$0	0.0%
Morris	\$12,506	\$14,586	\$0	0.0%
Rochester	\$12,372	\$12,372	\$0	0.0%
Twin Cities	\$13,578	\$34,496	\$0	0.0%



Undergraduate Resident Tuition Rates Have Been Relatively Stable (%)

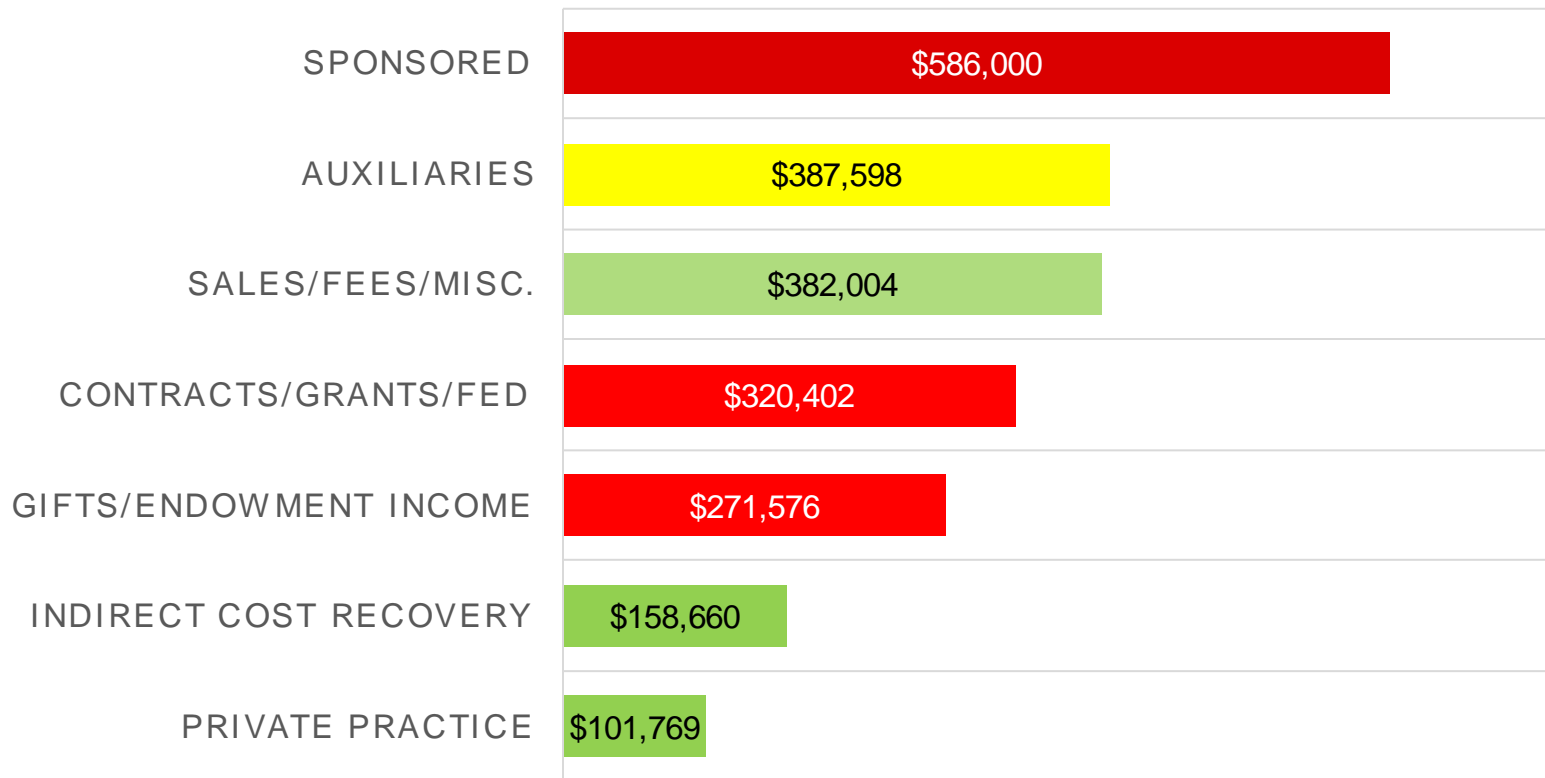
Campus	2013 through 2015	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Average annual % increase
Twin Cities	Flat	1.5%	2.5%	2.0%	2.0%	2.0%	Flat	1.3%
Duluth	Flat	1.5%	Flat	1.0%	Flat	1.5%	Flat	0.5%
Morris	Flat	1.5%	Flat	1.0%	1.0%	1.5%	Flat	0.6%
Rochester	Flat	1.5%	Flat	1.0%	Flat	1.5%	Flat	0.5%
Crookston	Flat	1.5%	Flat	1.0%	Flat	1.5%	Flat	0.5%



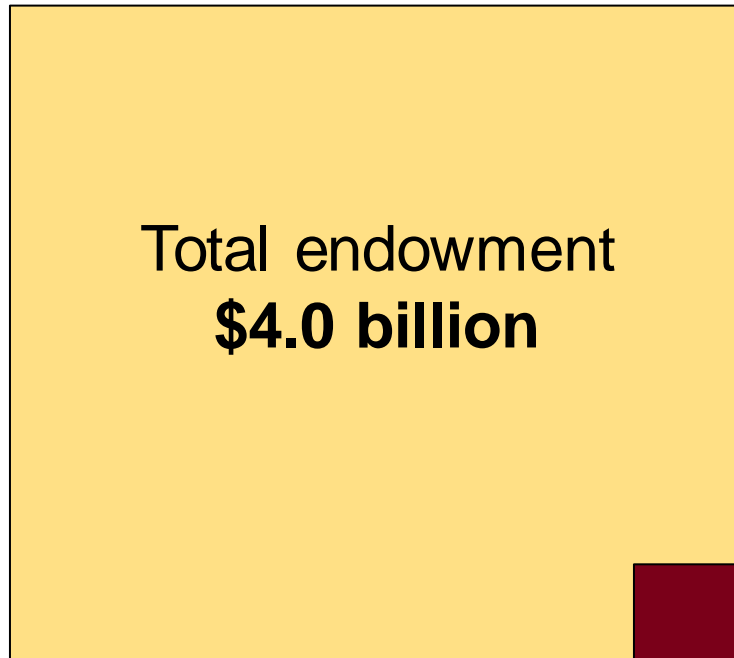
Other Revenues

What is “All Other Revenues”?

Total \$2.2 billion (*\$ in thousands*)



Interest earned on the endowment supplements department & program budgets.



Managed to preserve the inflation-adjusted corpus and to maximize the total return



Spendable portion
~ **\$180 million**
(4.5%)



Use is restricted by donor 99% of the time



Balances

(invested - Temporary Investment Pool “TIP”)

- Can be considered like a “check-book” or “cash” balance
- Ranges during the year from ~\$800m to ~ \$1.2 billion (pre-pandemic)
- Equal to ~ 100 days of normal operations
- Includes unrestricted and restricted funds
- Necessary to meet daily cash flow needs
- Provides liquidity for emergency/bond ratings
- Actively managed in annual budget process



Balances \neq “Central Reserves”

Balances	=	Unexpended funds on any given day (nonrecurring)
“Central Reserves”	=	By Board policy – a portion of the balances held in reserve for unanticipated needs; policy goal = \$25 million or 4% of the state appropriation, whichever is greater.



Planned \$35 million “spend-down” of Central Reserves due to the pandemic

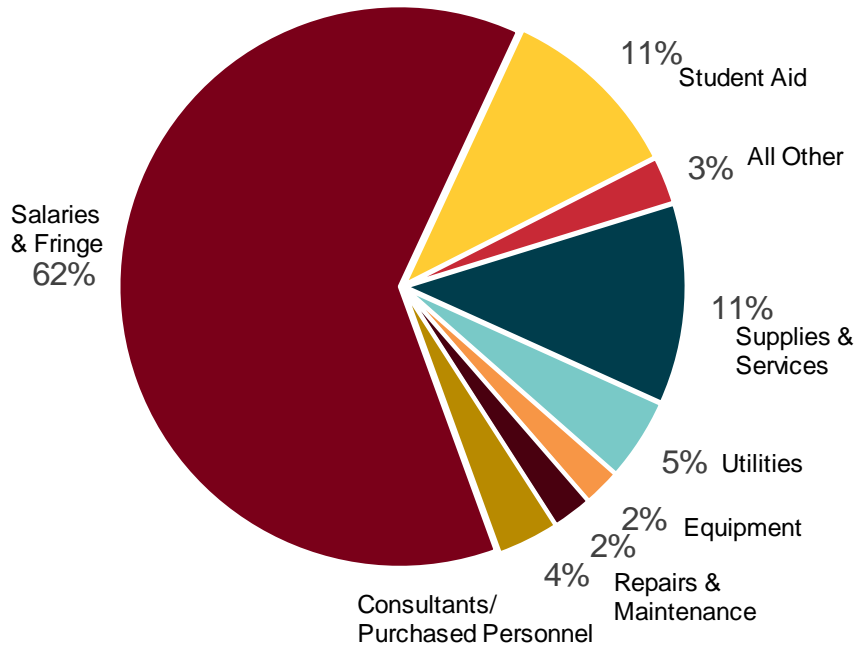
Projected FY20 Year End Balance Prior to the Pandemic	Board Authorized <u>Use</u> – FY20 to Address Pandemic Shortfalls	Board Authorized <u>Use</u> – FY21 to Address Pandemic Shortfalls	Projected FY21 Year End Balance – Board Approved Budget
\$49 million	(\$25 million)	(\$10 million)	\$14 million



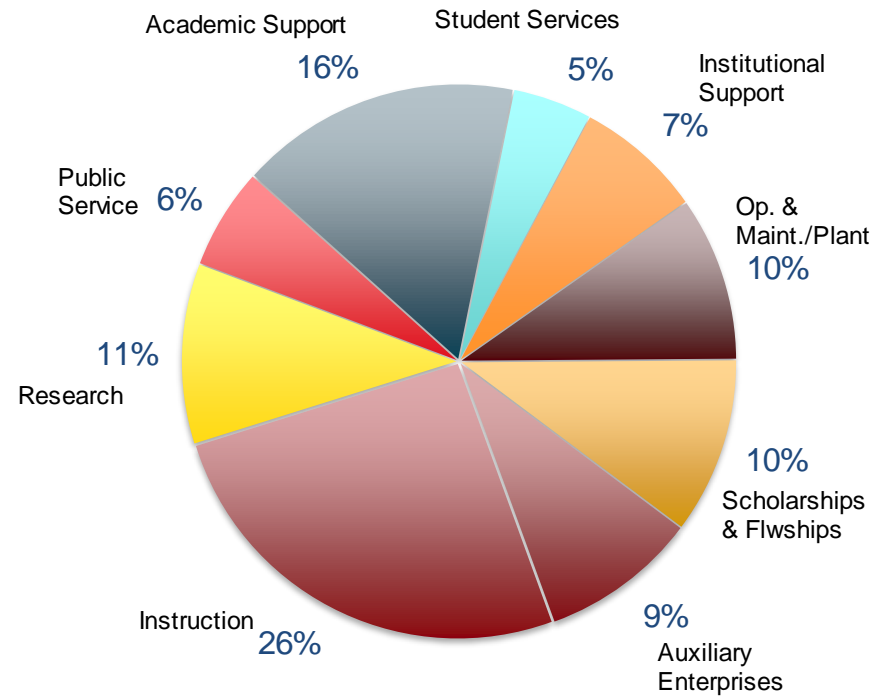
Expenditures

Current Non-Sponsored Funds Fiscal Year 2021 Budgeted Expenditures / \$3.4 Billion

By Object of Expenditure



By Function



University of Minnesota Annual % Change in Expenditures over prior year

All Funds – Including Sponsored Grants

	Actual FY15	Actual FY16	Actual FY17	Actual FY18	Actual FY19	Estimated FY20	Budgeted FY21
% Change in Expenditures	1.1%	4.0%	0.1%	2.6%	1.7%	1.5%	1.1%
<i>Unadjusted for inflation</i>							

University budgets are heavy with costs increasing faster than inflation:

- “services” – examples include education abroad fees, insurance, software maintenance, lab & medical services, library journal subscriptions
- “supplies” – examples include library manuscripts, chemicals, dental supplies, radioactive materials, gases (for lab use)
- “fringe benefits” – particularly health care
- “health and safety” – examples include hazardous materials compliance; public safety improvements



Budget Process and the *“Budget Model”*

Each year budget variables are considered for inclusion in the framework based on answers to the following types of questions:

Resources:

Tuition strategy? *(NOT A BACKFILL)*

Enrollment maintenance or growth?

Strategies for thinking about the internal reallocation of resources to higher priorities?

Potential for growth of “other funds” to address operations?

Costs:

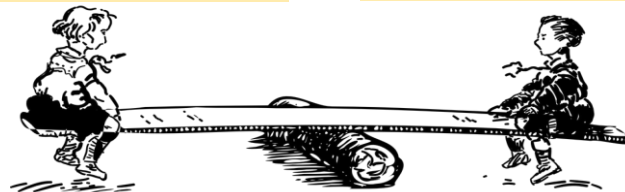
Compensation strategy?

Program maintenance or growth?

Research expansion with associated infrastructure costs?

Top priorities for student services?

Scope reduction in targeted areas?



50 University of Minnesota “Resource Responsibility Centers”

Greater MN Campuses

Crookston
Duluth
Morris
Rochester

Academic Units – Twin Cities

Academic Clinical Affairs
Agricultural Experiment Station
Carlson School of Management
College of Food, Ag. & Nat. Resource Sciences
College of Continuing & Professional Studies
College of Design
College of Biological Sciences
College of Education & Human Development
College of Liberal Arts
College of Pharmacy
College of Science and Engineering
College of Veterinary Medicine
Law School
Humphrey Institute of Public Affairs
Medical School
School of Dentistry
School of Nursing
School of Public Health
University of Minnesota Extension Service

Support Units

Academic Health Sciences	Information Technology
Associate VP Finance	Planning, Space, Real Est
Athletics (TC)*	President’s Office
Audit	Public Safety
Auxiliary Services*	St. VP Finance & Ops
Board of Regents	Student Affairs*
Capital Project Mgmt	Undergraduate Education*
Equity and Diversity	University Health & Safety
Executive VP and Provost*	University Libraries
Facilities Mangement	University Relations
General Counsel	University Services
Global Progr/Strategy Alliance	VP Clinical Affairs
Graduate School	VP Research*
Human Resources	

*All or portions
of these treated
as “academic” in
the budget
model.



Annual Budget Process

The Players:	
President	Sets broad goals, strategies, principles; Directs and delegates the overall process; Receives and acts on recommendations from Budget Committee and Delivers Final Recommended Budget to the Board
Budget Committee	Manages the overall budget development process; Interfaces with each unit of the University; Develops recommendations to the President on unit allocations and budget balancing tactics
Chancellors, Deans, VPs	Provide input into broad goals and strategies; Develop unit level goals and strategies; Respond to compact/budget instructions; Request funding from Central; Implement final decisions
Departments	Respond to RRC level direction regarding development of departmental goals and strategies; Request funding from RRC; Respond to internal budget instructions; Implement final decisions

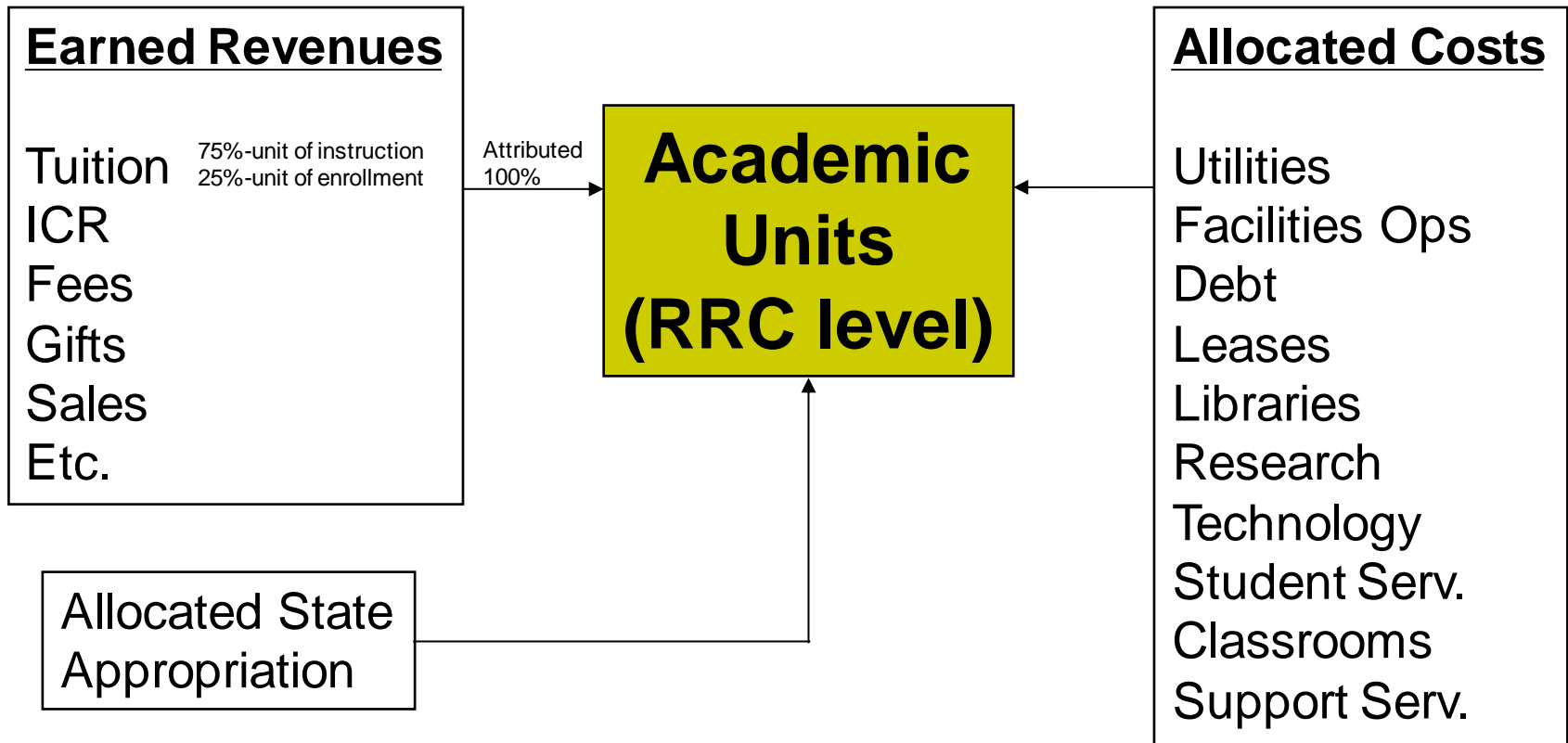


Board of Regents	Reviews and acts on Annual Budget submitted by the President
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Full Revenue and Cost Allocations

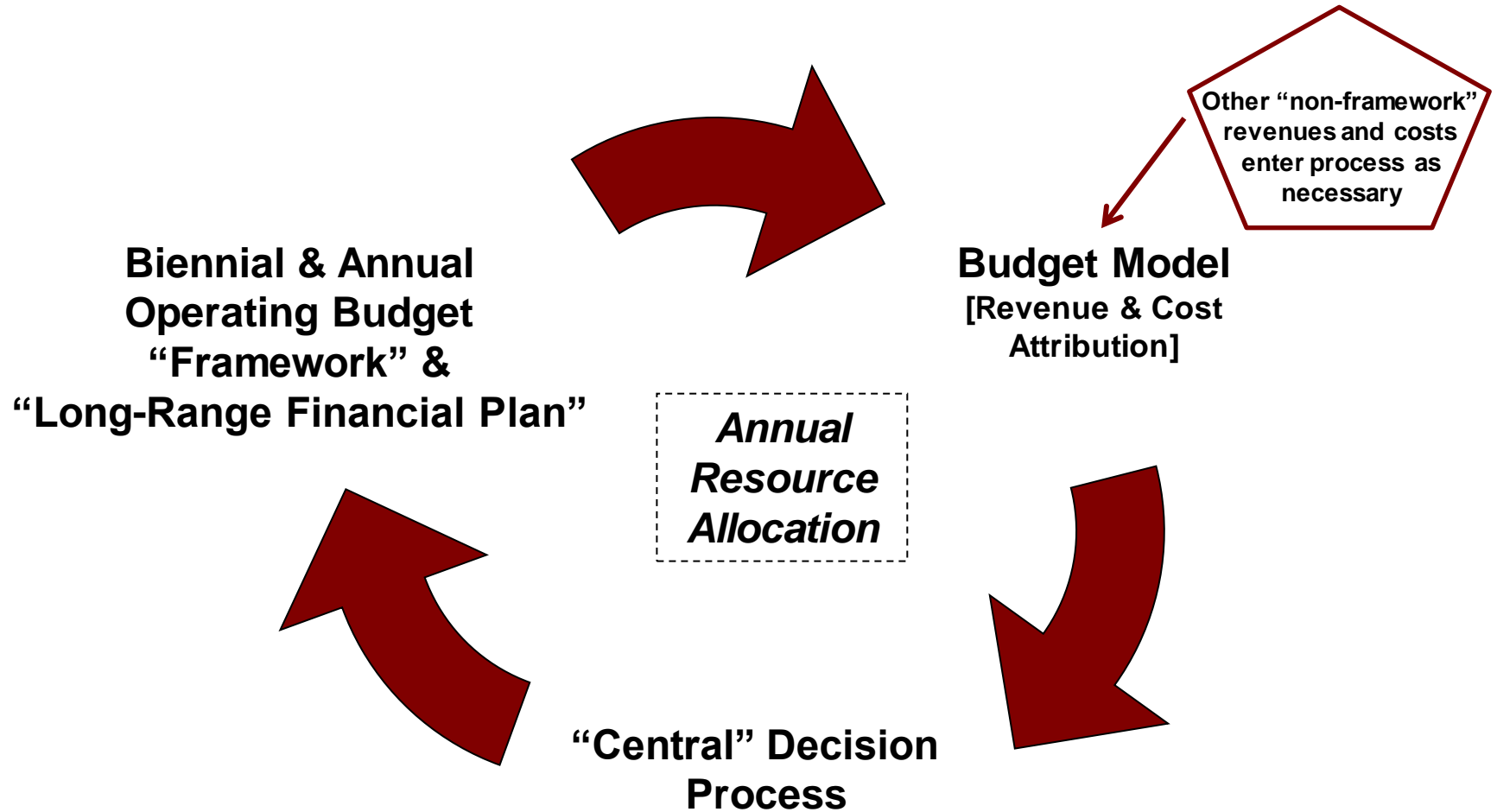
THE “BUDGET MODEL”



★ In combination with the “Budget Framework” and the ★
“Decision Making Process” = full Budget Development



University of Minnesota Resource & Cost Allocation



Closing & Questions



UNIVERSITY OF MINNESOTA

Driven to Discover[®]

Crookston Duluth Morris Rochester Twin Cities

The University of Minnesota is an equal opportunity educator and employer.