

University of Minnesota Budget Overview & State Funding

House of Representatives | Higher Education Finance & Policy | February 20, 2025

Dr. Rebecca Cunningham

President

Julie Tonneson

Vice President & Budget Director



UNIVERSITY OF MINNESOTA

Driven to DiscoverSM

Agenda

February 20

- Overview of Revenues and Budget Process
- Overview of State Funds: Operations & Maintenance appropriation, select riders; College of Science and Engineering State Special; System Special – select programs

February 25

- All public safety and health science appropriations and riders

February 27

- All agriculture and research-related appropriations & riders

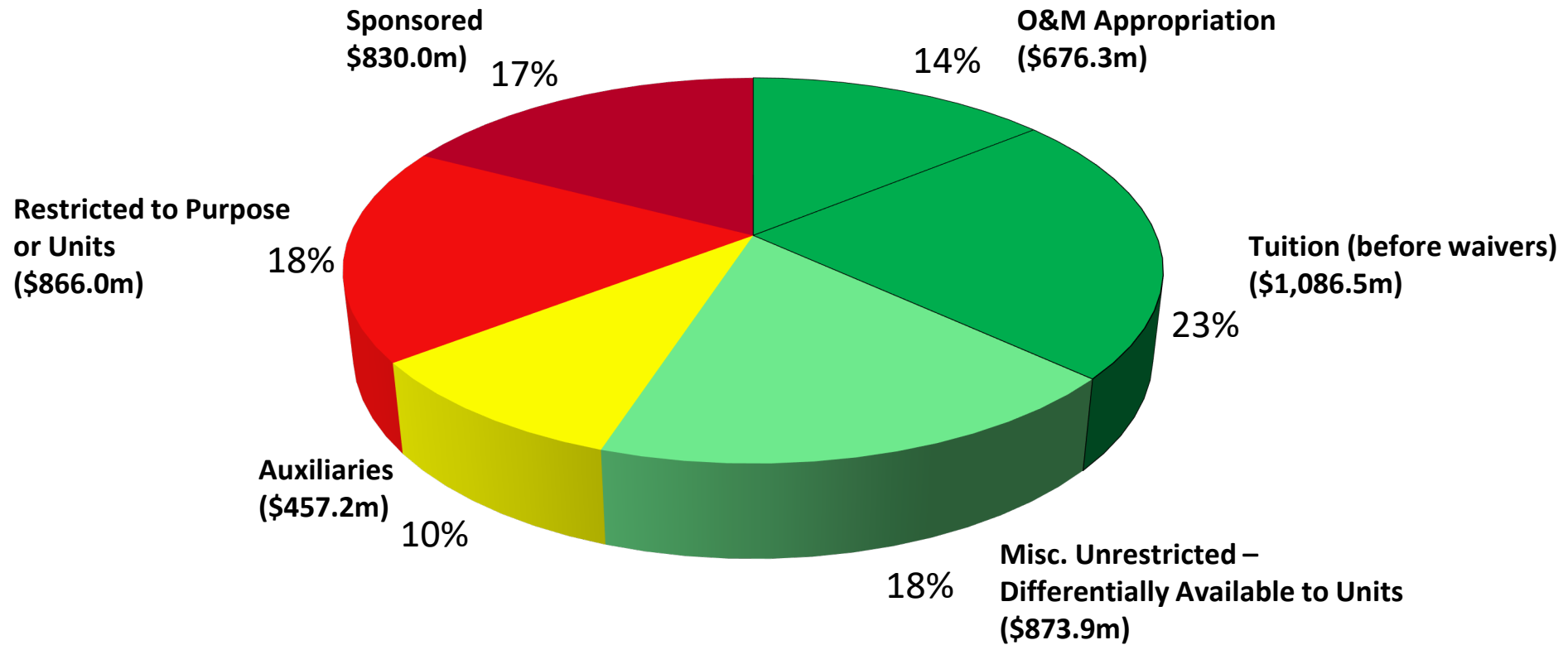


University of Minnesota Revenues



Revenue Sources By Fund Category

FY 2025: \$4.8 Billion (excluding internal sales)

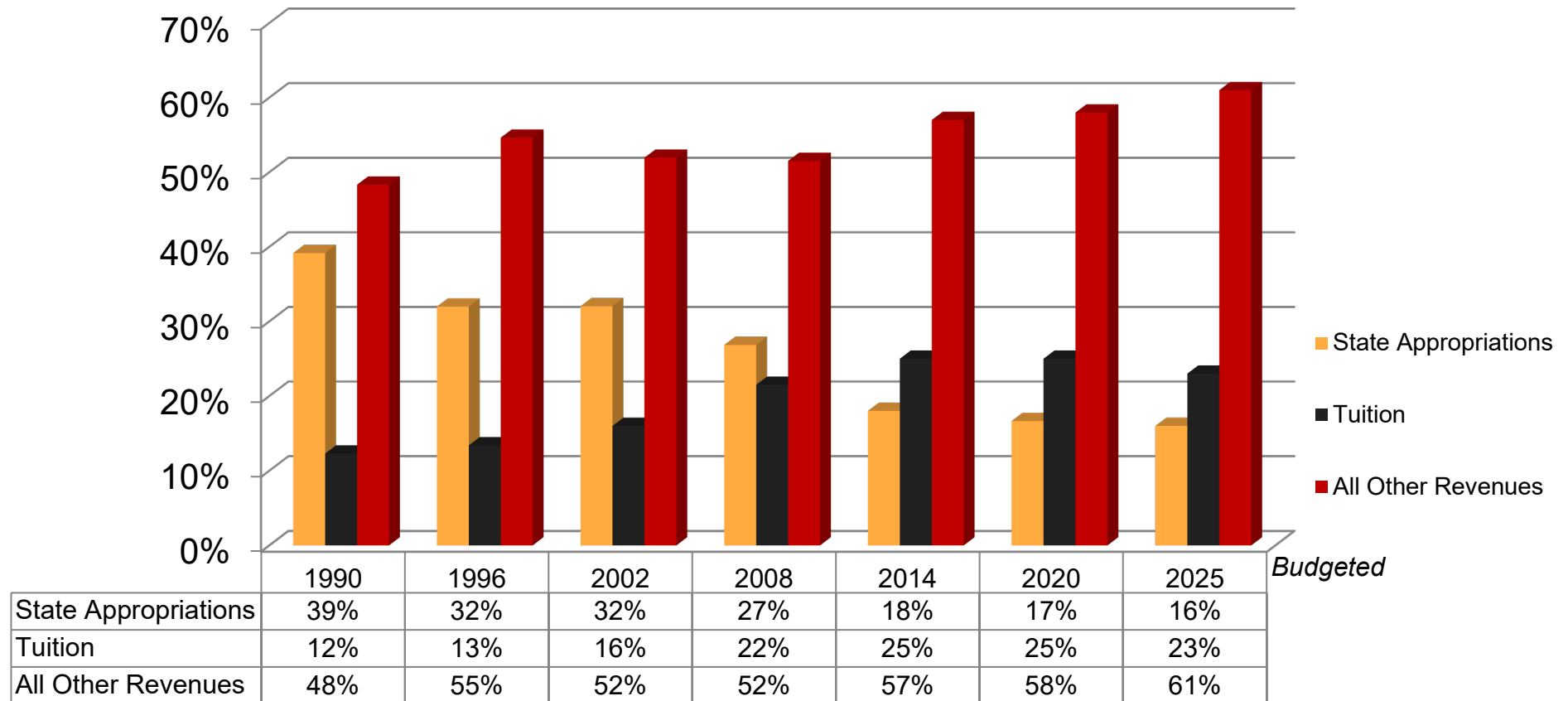


FY 2025 Budget Plan: Framework Funds Highlighted

University of Minnesota			
		Budget Plan FY25	
RESOURCES			
Revenue Current Funds (By Fund)			
	State Appropriation	\$676,294,000	14%
	Tuition	\$1,086,454,943	23%
	State Special	\$103,445,000	2%
	Sales, Fees, and Misc	\$471,704,321	10%
	Indirect Cost Recovery	\$236,990,918	5%
	Auxiliary Enterprises	\$457,159,026	10%
	Private Practice	\$165,238,092	3%
	Federal Appropriations	\$19,800,000	0%
	Gifts & Endowment Income	\$357,950,644	7%
	Restricted Grants, Contracts & Misc	\$384,817,558	8%
	Total Nonsponsored Revenues	\$3,959,854,501	
	Resources Expended MY/Sponsored Funds	\$830,000,000	17%
	Total Annual Revenues - Current Funds (b+c)	\$4,789,854,501	100%



The University's dependence on different revenue sources has shifted over time:



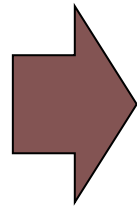
University of Minnesota Budget Process



The Board Acts on an All-Funds Budget

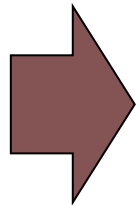
Major Revenue Sources

**Tuition & O&M
Appropriation**



Planned at the Institutional Level

**All “Other Revenues”
More Targeted
Application**



Primarily Managed at the Unit Level

Those that do mission work

Four Greater MN Campuses

Crookston

Duluth

Morris

Rochester

19 Twin Cities Academic Units

-
- Academic and Clinical Affairs
 - Agricultural Experiment Station
 - Biological Sciences
 - Continuing/Professional Studies
 - Dentistry
 - Design
 - Food/Ag/Nat Resource Sciences
 - Education/Human Development
 - Extension
 - Law
 - Liberal Arts
 - Management
 - Medical
 - Nursing
 - Pharmacy
 - Public Health
 - Public Affairs
 - Science and Engineering
 - Veterinary Medicine



Those that support mission work

26 Support Units

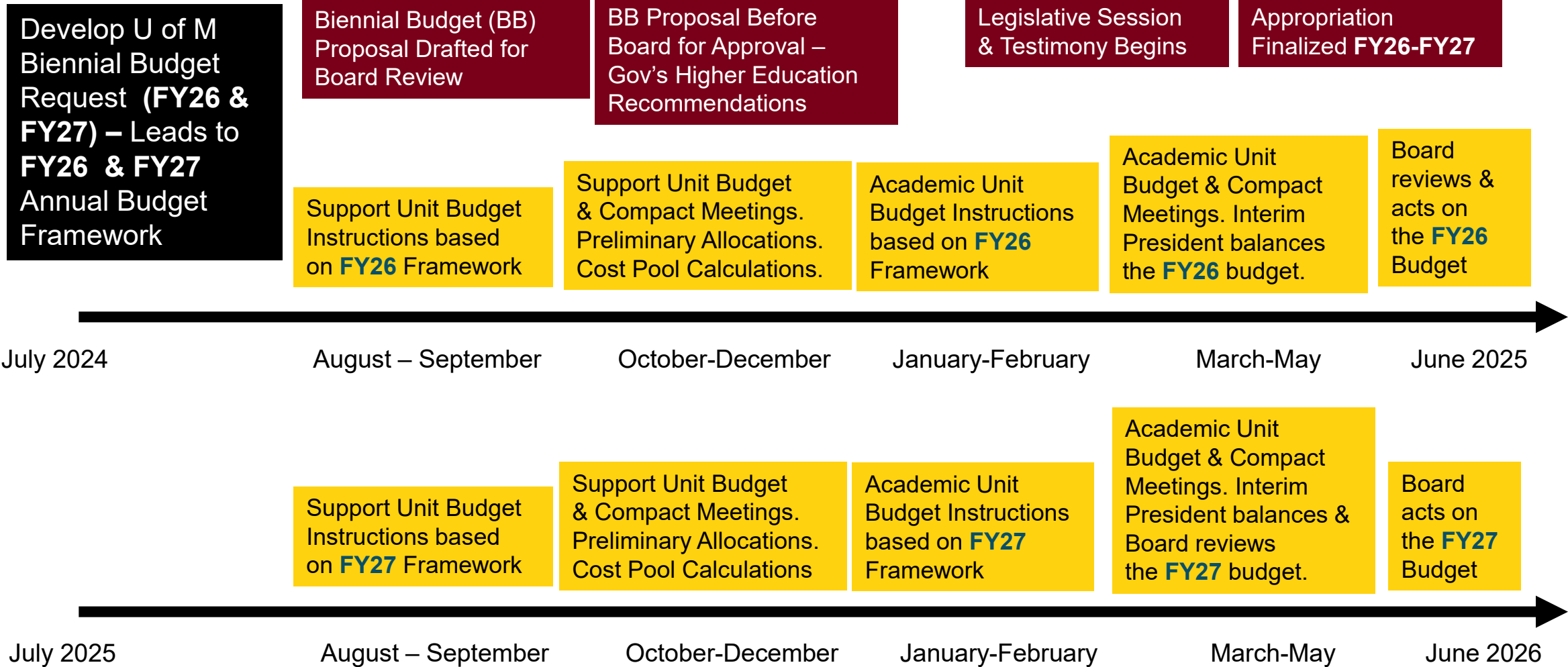
- Academic Health Sciences
- Audit
- Board of Regents
- Capital Projects
- Enrollment Management
- Equity and Diversity
- Provost
- Facilities
- Finance
- General Counsel
- Global Programs
- Graduate School
- Human Resources
- Information Technology
- Finance and Operations
- Clinical Affairs
- Planning/Space/Real Estate
- President
- Public Safety
- Research
- Student Affairs
- Undergraduate Education
- University Health/Safety/Risk Mgmt
- University Libraries
- University Services
- University Relations

2 Twin Cities Auxiliaries

- Gopher Athletics
- Auxiliary Services (Bookstore, Dining, Housing, Parking)



Timeline – Full Budget Development Cycle



Budget Framework Development

Available Resources

- Tuition
- State Appropriation
- Other

Costs & Investments

- Student Services
- Faculty and Staff
- Facility Costs
- Planned Cuts/Reductions
- Other

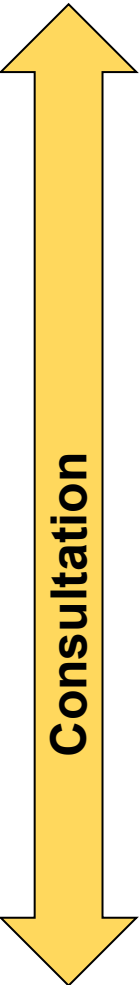


Balancing the Budget

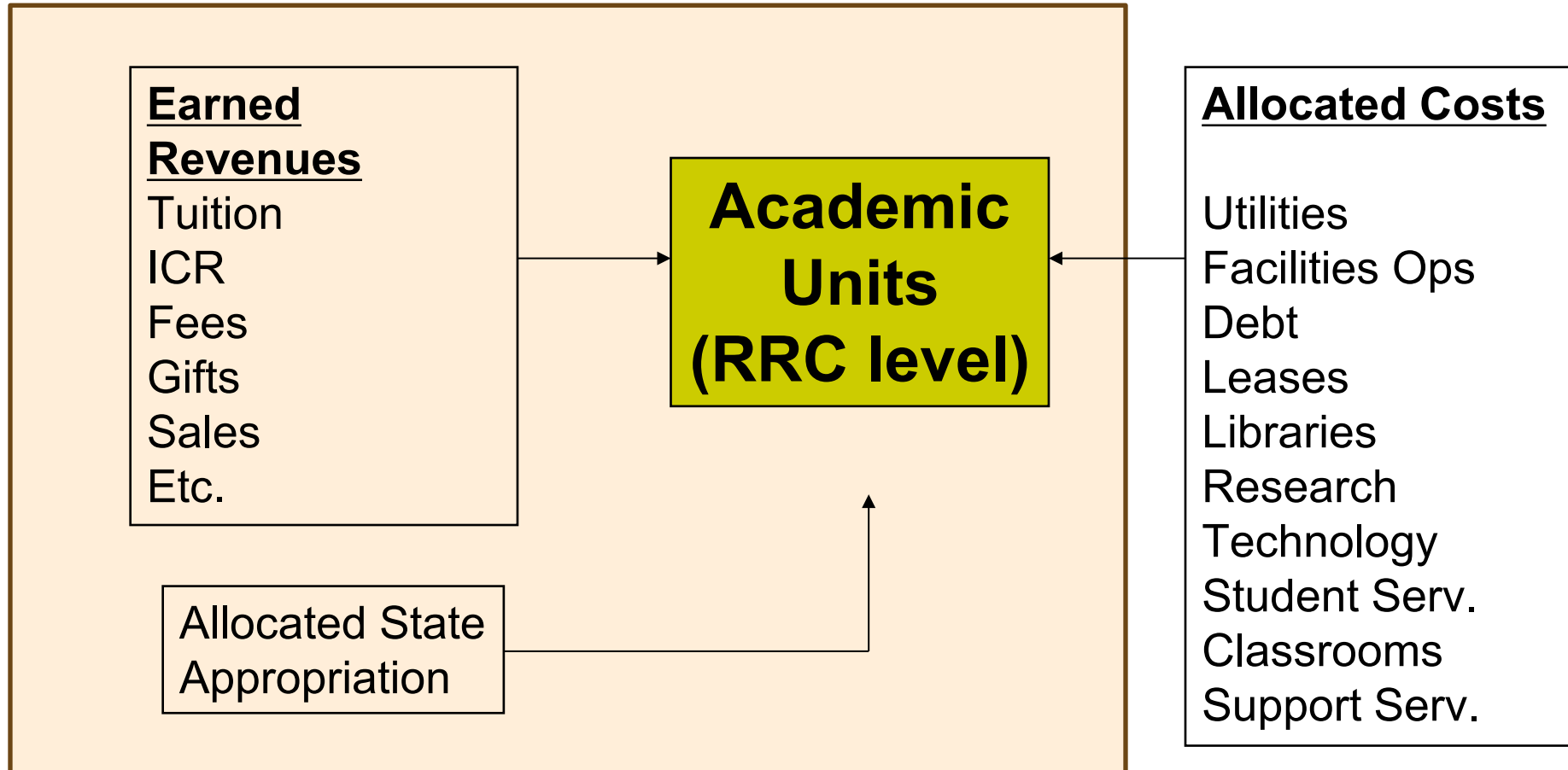


How We Get There: Distributed Budget Management Model

<p>President</p>	<ul style="list-style-type: none"> • Sets broad goals, strategies, principles • Directs and delegates the overall process • Receives and acts on recommendations from Budget Committee • Delivers Final Recommended Budget to the Board • Accountable for ensuring University's financial health in accordance with Board of Regents' direction
<p>Budget Committee</p>	<ul style="list-style-type: none"> • 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
<p>Chancellors, Deans, VPs</p>	<ul style="list-style-type: none"> • Provide input into broad goals and strategies • Develop unit-level priorities, goals, and strategies • Request funding and assistance from Central to achieve goals • Implement final decisions/accountable for overall unit financial health
<p>Departments</p>	<ul style="list-style-type: none"> • Respond to RRC level direction regarding development of departmental priorities, goals and strategies • Request funding and assistance from RRC to achieve goals • Implement final decisions
<p>Board of Regents</p>	<p>Reviews and acts on Annual Budget submitted by the President</p>



The Budget Model – A “Tool” for Decision Making



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



State Appropriations 2023 Session, Chapter 41



Distribution of State Funds – State Specials

1. Primarily distributed based on appropriation language
2. Historical legislative workpapers for distribution when language is not specific
3. Changes in allocations to units primarily due to changes in appropriations; changes have typically been made proportionally
4. For some state special funded activities, appropriations are supplemented with O&M, tuition, and other funds
5. Reviewed and monitored through the budget process and budget entry
6. Funds use is periodically audited by the University's Office of Internal Audit



State Special Appropriations – Overview Schedule

State Special Appropriations	February 20	February 25	February 27
Agriculture & Extension Service			\$42,922,000
Health Sciences		\$9,204,000	
College of Science & Engineering	\$1,140,000		
System Special			
Bell Museum			\$140,406
Center for Urban & Regional Affairs	\$985,497		
Research & Innovation Office			\$703,683
CSOM - Economic Research			\$28,993
NRRI - Center for Economic Devel			\$211,500
UMD Business Economic Research	\$39,112		
Labor Education Services	\$777,533		
Natural Resources Research Inst.			\$6,202,334
Humphrey Forum	\$91,942		
U of M/Mayo Foundation Partnership		\$7,991,000	



State Specials

College of Science & Engineering: \$1,140,000 per year

Fiscal Year 2024 Revenue

Minnesota Geological Survey

- State Special: \$846,110
- Categorized as “Research”/86% spent on compensation
- Supplemented with: State O&M Appropriation (\$701,092)

Talented Youth Mathematics Program

- State Special: \$293,890
- Categorized as “Public Service”/99% spent on compensation
- Supplemented with: Net Registration Charges (\$373,195); and Gifts (\$1,350)



State Specials - System Special select programs:

Fiscal Year 2024 Revenue

Center for Urban & Regional Affairs – Provost’s Office

- State Special: \$985,496
- Categorized as “Public Service” (75%); “Research/Research Support” (24%)/93% spent on compensation
- Supplemented with: State O&M Appropriation (\$1,120,713); and Misc. Sales Income (\$22,550)

Bureau of Business & Economic Research - UMD

- State Special: \$39,211
- Categorized as “Research/Research Support”/99% spent on compensation
- Supplemented with: State O&M Appropriation (\$60,610); External Sales (\$51,650) and Gifts (\$8,178)



State Specials - System Special select programs:

Fiscal Year 2024 Revenue

Labor Education Services – Carlson School of Mgmt

- State Special: \$777,533
- Categorized as “Public Service”/93% spent on compensation
- Supplemented with: Noncredit Fee Income (\$75,291)

Humphrey Forum – Humphrey School of Public Affairs

- State Special: \$91,942
- Categorized as “Public Service”/73% spent on compensation
- Supplemented with: Gifts (\$130,000)



Operations and Maintenance Appropriation

Appropriation	FY 2024	FY 2025	Date	
Operations & Maintenance	\$620,818,000	\$620,818,000	February 20	X
<i>Riders</i>				
Medical School Development	\$15,000,000	\$15,000,000	February 25	
Health Training Restoration	\$7,800,000	\$7,800,000	February 25	
MnDRIVE: Cancer	\$4,000,000	\$4,000,000	February 27	
Morris Campus: Tuition Waiver Costs	\$500,000	\$500,000	February 20	X
Systemwide Safety & Security: Ongoing	\$1,000,000	\$1,000,000	February XX	
Systemwide Safety & Security: One-time	\$4,000,000	\$4,000,000	February XX	
UI Reimbursement	\$366,000	\$366,000	February 20	X
UMN & CentraCare	\$10,000,000		February 25	
Menstrual Products: Ongoing	\$110,000	\$110,000	February 20	X
Menstrual Products: One-time	\$264,000		February 20	X



Rider: Morris Campus

Chapter 41, Article 1, Section 4, Subd. 2:

(d) \$500,000 in fiscal year 2024 and \$500,000 in fiscal year 2025 are for the University of Minnesota, Morris branch, to cover the costs of tuition waivers under Minnesota Statutes, section 137.16.

2024 Minnesota Statutes: 137.16 Morris Branch

Subdivision 1. Admission. The University of Minnesota, Morris branch, situated in whole or in part on the lands described in Laws 1909, chapter 184, shall admit Indian pupils qualified for admission at all times free of charge for tuition and on terms of equality with white pupils.

Subd. 2. Substitute. Subdivision 1 is a substitute for the provisions of Laws 1909, chapter 184, section 2, which reads: The said lands and buildings described in section 1 hereof shall be held and maintained by the state of Minnesota as an agricultural school, and Indian pupils shall at all times be admitted to said school free of charge for tuition and on terms of equality with white pupils.

Used to cover expenses that would have been covered by tuition: compensation (faculty, academic professionals, academic admin, police, undergraduate students, civil service, labor, temp/casual), supplies, services, operating support, consulting and professional services; utilities;



Rider: Unemployment Insurance

Chapter 41, Article 1, Section 4, Subd. 2: (f) \$366,000 in fiscal year 2024 and \$366,000 in fiscal year 2025 are for unemployment insurance aid under Minnesota Statutes, section 268.193.

- 2023 Session, Chapter 41, Article 2, Section 29 created a new section of Minnesota Statute: 268.193
- MS 268.193: Non-exempt (non-professional) employees in 9 and 10-month appointments became eligible for unemployment insurance benefits during the summer breaks, between terms.
- These funds are used to cover the unemployment insurance benefits for these individuals.

Rider: Menstrual Products

Chapter 41, Article 1, Section 4, Subd. 2: (h) \$374,000 the first year and \$110,000 the second year are to pay the cost of supplies and equipment necessary to provide access to menstrual products for purposes of article 2, section 2.

- 2023 Session, Chapter 41, Article 2, Section 2 created a new section of Minnesota Statute: 135A.1365
- MS 135A.1365: Menstrual products must be available in restrooms used by students.
- The \$374,000 in FY 2024 was used to purchase the equipment across all five campuses as well as supplies.
- The \$110,000 will be used for ongoing supplies as well as replacement equipment, as needed.
- Allocated by campus based on the number of restrooms on campus as well as machines that were already installed.



Distribution of State Funds – General Operations & Maintenance

1. Unrestricted, supports all three missions
2. As a revenue source, separate from tuition at the Resource Responsibility Center level
3. Commingled with Tuition for spending – unrestricted/less administrative burden
4. Distributed using a base plus/minus methodology (like the state's general fund)
5. Reviewed and monitored through the budget process



Reminder – Internal Annual Budget Development Cycle

Develop U of M Biennial Budget Request (FY26 & FY27) – Leads to FY26 & FY27 Annual Budget Framework

Support Unit Budget Instructions based on **FY26** Framework

Support Unit Budget & Compact Meetings. Preliminary Allocations. Cost Pool Calculations.

Academic Unit Budget Instructions based on **FY26** Framework

Academic Unit Budget & Compact Meetings. Interim President balances the **FY26** budget.

Board reviews & acts on the **FY26** Budget

July 2024

August – September

October-December

January-February

March-May

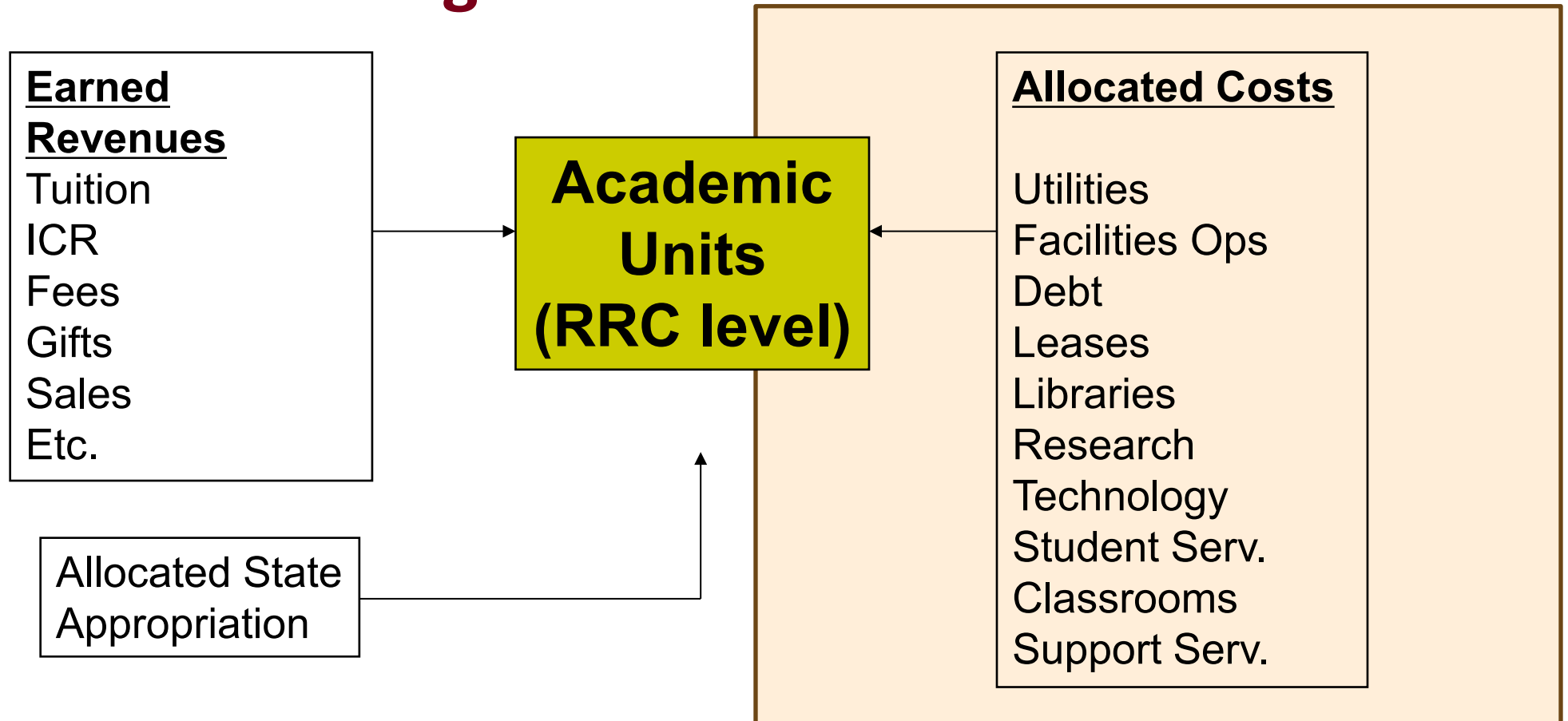
June 2025

“Support” Budgeting Units

“Academic” Budgeting Units



How We Get There: The Budget Model – A “Tool” for Decision Making



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

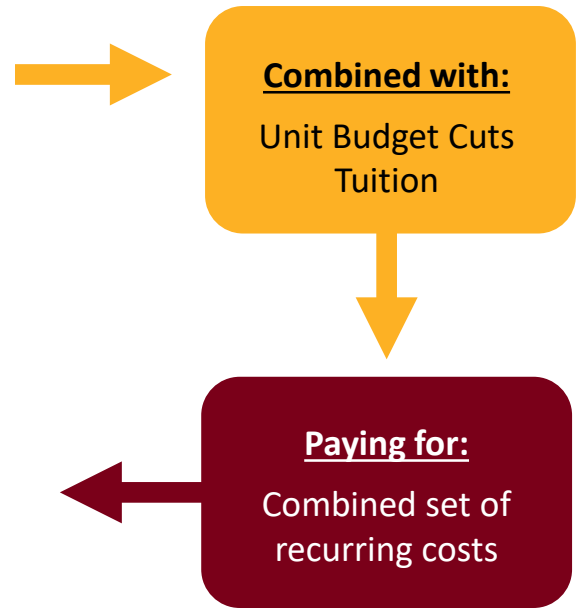


Example - Approved Budget Framework for FY24

Where the \$50 million went

FY 2024 Recurring Framework
State and Tuition Funded Activities

Incremental Resources:	Proposed
Appropriation for Core Mission	\$50,000,000
Appropriation/State Transfer for Items Specified in Law	\$5,500,000
Unit Reallocations/Other Revenue Increases	\$39,500,000
Tuition Revenue	\$23,500,000
One-Time Central Balances to Bridge	<u>\$8,300,000</u>
Total Incremental Resources	\$126,800,000
Incremental Investments:	
Compensation and Benefits	\$58,400,000
FY 2023 Tuition Revenue Challenge	\$23,300,000
Facilities and Technology Infrastructure	\$13,800,000
Core Operations and Services	\$13,100,000
Program/Compliance/Student Aid	<u>\$9,300,000</u>
Total Incremental Investments	\$117,900,000
Balance Held for FY25 Costs	\$8,900,000



How We Get There: Making Decisions at the System Support Level

Example: Office of the General Counsel

FY24 Incremental Budget Changes from FY23

Decision Summary - "General Fund Framework"

Recurring Resource Changes:

Increase in Generated Revenues	\$0
Cost Pool Allocation - Recurring Base Support	<u>192,000</u>
TOTAL CHANGE IN RECOGNIZED RESOURCES	\$192,000

Total Resource Changes above are to be used for:

Compensation Increase – O&M/State Specials	\$233,000
Public Data Requests-Tracking Portal	15,000
Internal Expenditure Cuts	<u>(56,000)</u>
TOTAL CHANGE IN RECOGNIZED COSTS	\$192,000

Start with the same ?s for each unit:

- What are their cost increases driven by institutional decisions?
- What other financial issues must be addressed?
- What are revenue and investment opportunities?
- How much should we ask them to cut from their current spending & what are the impacts?
- How much should we increase their cost pool allocation (charges to academic units)



How We Get There: Making Decisions at the TC College Level

Example: College of Food, Agriculture & Natural Sciences

FY24 Incremental Budget Changes from FY23

Decision Summary - "General Fund Framework"

Recurring Resource Changes:

Tuition Revenue	\$520,000
FY23 Tuition Above Budget	451,725
FY23 Funds Reserved for FY24 Cost Pool Increase	70,799
O&M Nonrecurring & Budget Neutral	(257,346)
O&M Allocation - Recurring Base Support	<u>2,344,287</u>
TOTAL CHANGE IN RECOGNIZED RESOURCES	\$3,129,465

Total Resource Changes above are to be used for:

Compensation Increase – O&M/State Specials	\$2,301,000
Increased Overhead Costs	1,239,695
Transfer Admissions to UEDUC (expense reduction)	(84,955)
Strategic Discretionary Investment	451,725
Internal Expenditure Cuts	<u>(778,000)</u>
TOTAL CHANGE IN RECOGNIZED COSTS	\$3,129,465

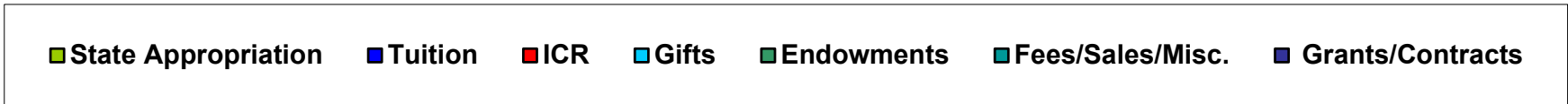
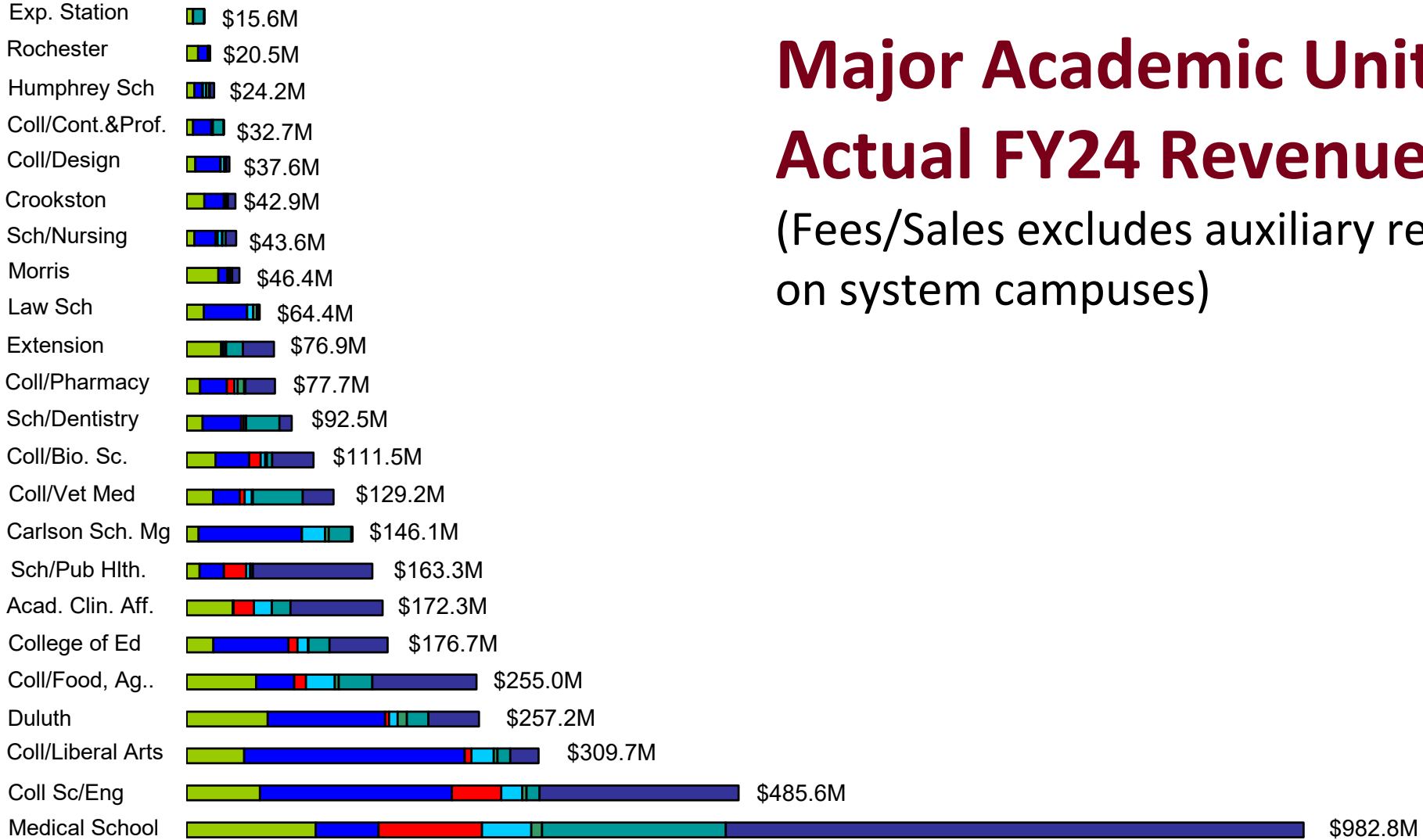
Start with the same ?s for each unit:

- What is their projected change in tuition?
- How much should we ask them to cut from their current spending & what are the impacts?
- What are their cost increases driven by institutional decisions?
- What other financial issues must be addressed?
- What are revenue and investment opportunities?
- Do we have incremental state dollars to help address needs?



Major Academic Units Actual FY24 Revenues

(Fees/Sales excludes auxiliary revenues on system campuses)



O&M Appropriation is the “Glue”

Pays for:

- compensation (all employee types) – faculty, lab personnel, custodians, accountants, advisors....
- facility operations – utilities, debt service, leases...
- Equipment – microscopes, freezers, computers, printers, mowers...
- Supplies – “paper & pencils”, cleaning materials, gases for labs, paint & paintbrushes, clay...
- Communications – software, media buys, recruiting materials...
- library materials – journal subscriptions, manuscripts, course requirements...

As we work together to deliver:

Instruction

Student Services

Research

Public Service

All Aspects of University Operations



Point of Oversight - State Funding

External Laws/Regulations/Rules

Internal Policies/Procedures/Rules –compliance and fiscal stewardship

- Accounting Rules
- Forced Reconciliations
- Purchasing Policies
- Travel Policies

Accountability Structure

Monitoring Function – Budget Process

Internal Audit Function



Requested General Fund Incremental Increase (\$235M Recurring to be spent over the biennium)

Incremental over prior year	2026	2027	
Core Mission	\$120.0M	\$0	X
Enhancing the Student Experience	\$30.0M		X
Research to Drive Economic Growth	\$40.0M		2/27
Health Science Strategic Plan	\$45.0M		2/25
Total University Request:	\$235.0M	\$0	



Cost Side of Framework

Basis for the \$120M Core Mission Request

Estimates – Incremental Costs

	FY26+FY27
Compensation	\$157,000,000
Utilities/Debt/Facility Ops	30,000,000
Facility Repairs (non-HEAPR)	20,000,000
Technology Licensing/Maintenance	5,000,000
Inflation – General Supplies/Equip.	5,000,000
Program/Service Enhancements	<u>50,000,000</u>
Total Incremental Costs	\$267,000,000

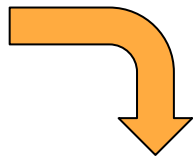
***Proposal – 45% from State
Appropriation, 55% from UMN***



Core Mission – Keeping the U Strong

Teaching/Learning/Student Services
Research and Discovery
Service in Minnesota Communities

To make it happen:



1. WORKFORCE
2. FACILITIES/PROGRAM/SERVICE



Enhancing the Student Experience



- We are back, learning in person
- Additional services would improve the University student experience
- Individualized services – career and academic advising; mental health
- Additional resources to cover basic needs
- New technology tools, resources, and analytics
- Support for students' transition into the workforce
- Active learning classrooms and other classroom improvements to support in-person learning