State of Minnesota
General Fund Budget
Where the Money Comes From
Fiscal Year 2017-18 $21.8 Billion

Individual Income Tax, $11,714, 54%
Sales Tax, $10,940, 26%
Corporate Income Tax, $1,278, 6%
Statewide Property & Estate/Gift Tax, $973, 4%
Sin Taxes, $777, 4%
Other Taxes, $885, 4%
Non-Tax Revenues, $703, 3%

Total: $21.8 Billion
State of Minnesota
General Fund Budget
Where the Money Goes
Fiscal Year 2017-18 $24.5 Billion

E-12 Education, $9,217, 37%
Ofc of Higher Ed/Mayo Fnd., $260, 1%
Property Tax Aid, $1,727, 7%
UM State Col & Univ, $731, 3%
University of Minnesota, $659, 3%
UMD is $43, 0.2%
Health & Human Services, $6,902, 28%
Debt Service/Capital Projects, $695, 3%
State Gov't & Veterans, $486, 2%
Other State Units, $662, 3%
Reserves, $1,980, 8%
<table>
<thead>
<tr>
<th>University</th>
<th>Tuition &amp; Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northwestern University</td>
<td>50,855</td>
</tr>
<tr>
<td>Penn State University</td>
<td>17,900</td>
</tr>
<tr>
<td>University of Illinois-Urbana-Champaign</td>
<td>15,698</td>
</tr>
<tr>
<td>University of Michigan-Ann Arbor</td>
<td>14,402</td>
</tr>
<tr>
<td>University of Minnesota-Twin Cities</td>
<td>14,142</td>
</tr>
<tr>
<td>Michigan State University</td>
<td>14,063</td>
</tr>
<tr>
<td>Rutgers University</td>
<td>13,829</td>
</tr>
<tr>
<td><strong>University of Minnesota-Duluth</strong></td>
<td><strong>12,546</strong></td>
</tr>
<tr>
<td>University of Wisconsin</td>
<td>10,488</td>
</tr>
<tr>
<td>Indiana University-Bloomington</td>
<td>10,388</td>
</tr>
<tr>
<td>University of Maryland-College Park</td>
<td>10,182</td>
</tr>
<tr>
<td>Ohio State University</td>
<td>10,037</td>
</tr>
<tr>
<td>Purdue University-West Lafayette</td>
<td>10,002</td>
</tr>
<tr>
<td>University of Nebraska-Lincoln</td>
<td>8,538</td>
</tr>
<tr>
<td>University of Iowa-Iowa City</td>
<td>8,325</td>
</tr>
</tbody>
</table>
There has been a dramatic and permanent reset of the University System's revenues
State Support vs. All Other Revenues
University of Minnesota Duluth
Operating Budget
UMD FY2018 Operating Budget
Expenditures by Function

- Student Aid: $36,597,484 (13%)
- Instruction: $68,958,997 (25%)
- Research: $37,190,930 (13%)
- Institutional Support: $34,906,054 (13%)
- Auxiliary Enterprises: $34,884,894 (13%)
- Student Svcs: $16,124,304 (6%)
- Central Utilities: $5,000,000 (2%)
- O&M Plant: $14,546,525 (5%)
- Academic Support: $29,086,992 (10%)
UMD FY2018 Operating Budget
Expenditures by Account - $277,296,180

- Cost Pool: $17,301,621 (6%)
- Materials for Resale: $10,105,310 (4%)
- Salaries: $118,032,979 (43%)
- Fringe Benefits: $38,252,490 (14%)
- Supplies & Services: $31,516,884 (11%)
- Repairs & Maintenance: $7,114,506 (2%)
- Utilities: $7,550,492 (3%)
- Student Assistance: $37,439,439 (13%)
- Assets and Equipment: $9,982,459 (4%)

Materials for Resale used for UMD Stores and Dining Svcs
University of Minnesota Duluth
Funding from O&M, Tuition and State Special
Years 1998-2018 (Millions of $)
*data for 2018 reflects budgeted (vs. actual in previous years)
1998: Tuition = 40%
2018 (Budgeted): Tuition = 70%

1998-2018:
- Tuition: 40% to 70%
- State: $25 to $44
- State Special: $4 to $4
Indirect Cost Recovery (ICR)
(Old name–now Facilities & Administrative Reimbursement)

* Although the University can document administrative costs of 31.52% for fiscal year 2014, federal guidelines prohibit charging more than 26% for these activities to federal awards.

Note- 52% rate in effect on proposals through 2017; 53% starting 2018 and 54% starting 2019
Two Operating Budget Processes:

• Biennial Budget Request to the State
  - completed every two years – FY 2017-19

• Annual Budget “Compact”
  - conducted every year – FY 2018-19
## Budget Planning & Development

<table>
<thead>
<tr>
<th>PART 1</th>
<th>Biennial Budget Development – Fall 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>PART 2</td>
<td>Fiscal Year 2018 President’s Recommended Operating Budget Plan (Approved June 2017)</td>
</tr>
<tr>
<td>PART 3</td>
<td>Fiscal Year 2019 President’s Recommended Operating Budget Plan Board of Regents-Fall 2017</td>
</tr>
<tr>
<td>PART 4</td>
<td>Long Range Financial Planning – Continual</td>
</tr>
</tbody>
</table>
Timeline - Full Budget Development Cycle

July 2018

- Support Unit Budget Instructions based on FY20 Framework
- Biennial Budget (BB) Proposal Drafted for Board Review

August – September

- BB Proposal Before Board for Approval – Gov’s Higher Education Recommendations

October–December

- Legislative Session & Testimony Begins
- Support Unit Budget & Compact Meetings; Preliminary Allocations; Cost Pool Calculations

January–February

- TC Support Unit Budget & Compact Meetings; Preliminary Allocations; Cost Pool Calculations
- Academic Unit Budget Instructions Based on FY20 Framework

March–May

- Appropriation Finalized FY16-FY17
- Academic Unit Budget & Compact Meetings; President Balances the FY20 Budget

June 2019

- Board Review & Approves The FY20 Budget

July 2019

- Support Unit Budget Instructions based on FY21 Framework

August – September

- TC Support Unit Budget & Compact Meetings; Preliminary Allocations; Cost Pool Calculations

October–December

- Academic Unit Budget Instructions Based on FY21 Framework

January–February

- Academic Unit Budget & Compact Meetings; President Balances the FY21 Budget

March–May

- Board Review & Approves The FY21 Budget

June 2020
University of Minnesota
President’s Administrative Cost Reductions
And Cost Definitions & Benchmarking Analysis

$15m Per Year
$90m over 6 Years
Can Impact:

Cost Benchmarking Categories

Mission

Mission Support & Facilities

Leadership & Oversight

Non-Personnel

Personnel

Non-Personnel

Personnel

Non-Personnel

Personnel

Majority of actions taken to reallocate budget have been in these two categories
UMD’S ADMINISTRATIVE COST REDUCTIONS

• Non-direct mission personnel reductions accomplished by:
  • Involuntary layoffs and positions reduced in term or percentage of appointment
  • Unfilled positions abolished
  • Voluntary layoff/non-renewals where the positions were abolished or replaced at a lower classification/pay
  • Organizational Restructuring and shared services to reduce staffing needs
• Moving staff from recurring O&M funds to non-recurring funds such as revenues from service charges or fees
• Shifting some programs from O&M funds to the collegiate fees or other non-recurring funds
• Eliminating several programs (e.g. Masters in Advocacy and Political Leadership, Voyageurs, String Quartet, Ovation Series, Annual Fall Weber Concert, Global Engagement Scholars, ITSS – Tech Camp.)
• Recurring reductions to non-personnel lines (SE&E, Graduate Commencement ceremony, fee offsets, DTA funding model)
University of Minnesota Cost Pool
How it impacts UMD
University Budget Development

• University Budget Allocation process is based on Responsibility Center Management (RCM) which is used by many universities throughout the country to attribute revenues and assign costs to major operating units and functions within an institution.

• University implementation of RCM uses what are called Resource Responsibility Centers (RRC) of which UMD is one of 48; each Twin Cities college and major support unit and the other system campuses are also RRCs.

• Process allocates Systemwide support costs form UM Twin Cities “support” units to RRCs so each RRC budget reflects direct costs of its Programs and Services and full costs based on allocation of the system “Cost Pool”
Full Revenue and Cost Allocations
THE “BUDGET MODEL”

Earned Revenues
- Tuition
- ICR
- Fees
- Gifts
- Sales
- Etc.

Allocated State Appropriation

Allocated Costs
- Utilities
- Facilities Ops
- Debt & Leases
- Libraries
- Research
- Technology
- Student Serv.
- Classrooms
- Support Serv.

Academic Units (RRC level)

In combination with the “Budget Framework” and the “Decision Making Process” = full Budget Development
<table>
<thead>
<tr>
<th>9 Primary Cost Allocation Pools</th>
<th>FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities Operations and Maintenance</td>
<td>$82.7m</td>
</tr>
<tr>
<td>(Allocation to RRCs based on Assigned space)</td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>$60.3m</td>
</tr>
<tr>
<td>(Allocation to RRCs based on Actual use)</td>
<td></td>
</tr>
<tr>
<td>Debt &amp; Leases</td>
<td>$43.2m</td>
</tr>
<tr>
<td>(Allocation to RRCs based on Actual debt service)</td>
<td></td>
</tr>
<tr>
<td>Information Technology</td>
<td>$70.6m</td>
</tr>
<tr>
<td>(Allocation to RRCs based on Employee &amp; Student headcounts)</td>
<td></td>
</tr>
<tr>
<td>Support Service Units</td>
<td>$112.0m</td>
</tr>
<tr>
<td>(Allocation to RRCs based on pro-rata Total expenditures)</td>
<td></td>
</tr>
<tr>
<td>Libraries</td>
<td>$45.1m</td>
</tr>
<tr>
<td>(Allocation to RRCs based on weighted student &amp; faculty headcount)</td>
<td></td>
</tr>
<tr>
<td>Student Services</td>
<td>$86.8m</td>
</tr>
<tr>
<td>(Allocation to RRCs based on pro-rata Student headcount)</td>
<td></td>
</tr>
<tr>
<td>General Purpose Classrooms</td>
<td>$10.6m</td>
</tr>
<tr>
<td>(Allocation to RRCs based on pro-rata student registrations)</td>
<td></td>
</tr>
<tr>
<td>Research</td>
<td>$37.6m</td>
</tr>
<tr>
<td>(3 year rolling average of sponsored expenditures)</td>
<td></td>
</tr>
</tbody>
</table>
## Support Service Units
### Part A: System-Wide Units that are “in” this cost pool

<table>
<thead>
<tr>
<th>Unit</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audits</td>
<td>Public Safety (excluding Police)</td>
</tr>
<tr>
<td>Board of Regents</td>
<td>Sr. VP Academic Affairs/Provost</td>
</tr>
<tr>
<td>Budget and Finance</td>
<td>(Sr. VP Office only)</td>
</tr>
<tr>
<td>Capital Planning/Project Management</td>
<td>VP Health Sciences</td>
</tr>
<tr>
<td>Controller’s Office (excluding SFR)</td>
<td>Human Resources</td>
</tr>
<tr>
<td>General Counsel</td>
<td>President’s Office</td>
</tr>
<tr>
<td>University Relations</td>
<td>Graduate School</td>
</tr>
<tr>
<td>University Services (20% of VP office)</td>
<td></td>
</tr>
</tbody>
</table>

Costs to be allocated based on proportionate share of system-wide total expenditures.
If college/campus A has 14% of total system-wide expenditures from most recent fiscal year end, then college/campus A will pay 14% of total approved budget for these units.

### Part B: Twin Cities Campus Only Units that are “in” this cost pool:

<table>
<thead>
<tr>
<th>Unit</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Campus Mail</td>
<td>University Services (80% of VP office)</td>
</tr>
<tr>
<td>Police Department</td>
<td>Alumni Relations (TC)</td>
</tr>
<tr>
<td>U Market/Logistics</td>
<td></td>
</tr>
</tbody>
</table>

Costs to be allocated based on proportionate share of Twin Cities Campus total expenditures.
If college B has 14% of total Twin Cities campus expenditures from most recent fiscal year end, then college B will pay 14% of total approved budget for these units.
# University of Minnesota

Cost Pool Allocations to UMD

FY 2017-18

<table>
<thead>
<tr>
<th>Cost Pool Allocations</th>
<th>Cost Pool</th>
<th>UMD</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Information Technology</strong></td>
<td>$70,584,995</td>
<td>$5,019,603</td>
<td>7.1%</td>
</tr>
<tr>
<td>(Centrally Allocated/Unweighted Headcount/Tiered) – UMD shares in 51% of TC Costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Student Services</strong></td>
<td>86,810,565</td>
<td>2,762,637</td>
<td>3.2%</td>
</tr>
<tr>
<td>(3 “buckets”/Primarily Student Headcounts/Aid Programs Included) – UMD shares in 89% of Student Finance Administration and Registrar and in Graduate Student Aid administration but not undergraduate student services (Vice Provost, Admissions, advising, Student Affairs, etc.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Debt &amp; Leases</strong></td>
<td>43,214,087</td>
<td>1,369,548</td>
<td>3.2%</td>
</tr>
<tr>
<td>(Occupancy/General Purpose Classrooms) - actual debt service for UMD capital projects</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Research</strong></td>
<td>37,564,235</td>
<td>1,096,586</td>
<td>2.9%</td>
</tr>
<tr>
<td>(Sponsored Services/3 Yr. Rolling Avg. Sponsored Expenditures)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Support Service Units</strong></td>
<td>112,021,825</td>
<td>7,053,247</td>
<td>6.3%</td>
</tr>
<tr>
<td>(Total Expenditures/Tiered) – UMD does NOT share in costs of TC Campus Mail, Police department, U Market/Logistics, Alumni Relations, and 80% of University Services (VP Office)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Cost Pool Allocation</strong></td>
<td>$350,195,707</td>
<td>$17,301,621</td>
<td>4.9%</td>
</tr>
</tbody>
</table>
## % Change in Total Cost Pool Charges FY07 – FY18

<table>
<thead>
<tr>
<th></th>
<th>In Millions $</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY07</td>
<td>$417.2</td>
<td></td>
</tr>
<tr>
<td>FY08</td>
<td>$454.1</td>
<td>8.8%</td>
</tr>
<tr>
<td>FY09</td>
<td>$475.5</td>
<td>4.7%</td>
</tr>
<tr>
<td>FY10</td>
<td>$480.7</td>
<td>1.1%</td>
</tr>
<tr>
<td>FY11</td>
<td>$499.0</td>
<td>3.8%</td>
</tr>
<tr>
<td>FY12</td>
<td>$492.6</td>
<td>-1.3%</td>
</tr>
<tr>
<td>FY13</td>
<td>$499.0</td>
<td>1.3%</td>
</tr>
<tr>
<td>FY14</td>
<td>$507.0</td>
<td>2.3%</td>
</tr>
<tr>
<td>FY15</td>
<td>$509.0</td>
<td>0.4%</td>
</tr>
<tr>
<td>FY16</td>
<td>$522.2</td>
<td>2.6%</td>
</tr>
<tr>
<td>FY17</td>
<td>$534.2</td>
<td>2.3%</td>
</tr>
<tr>
<td>FY18</td>
<td>$549.1</td>
<td>2.8%</td>
</tr>
</tbody>
</table>

Total Cost Pool Charges = totals for all cost pools (support service units, technology, research, libraries, student services, Student aid, classrooms, facilities, debt, leases, warehouses and utilities) prior to the double step down methodology.
**Undergrad aid separated into a unique pool in FY12-for consistency purposes it is included with student services here across all years.**
Capital Budget Process
6-Year Capital Improvement Plan

Board of Regents Policy directs the administration to develop a capital budget with a “6 year time horizon, updated annually”
Capital Process Overview

Six-Year Capital Plan - directs prioritized and realistic capital planning & fundraising efforts

- Identification of eligible projects through compact process
- Approved by the Board in Feb.
- Includes all proposed projects for the upcoming 3 biennium
- Identifies projects that will be submitted to the legislature for funding, as well as large projects involving University debt or unit revenues
- Inclusion allows projects to proceed with predesign – but not authorized to proceed beyond schematic design

Annual Capital Budget – all planned capital expenditures for the following fiscal year

- Instructions in Feb. – RRCs submit list of eligible projects in March
- Approved by the Board in June
- Includes projects estimated to cost more than $500,000
- Projects must have a completed and approved predesign study through CPPM
- Projects must have funding “in hand” or have an approved finance agreement
- Projects must be ready to proceed into design and construction

http://www.policy.umn.edu/Policies/Finance/Budget/FUNDINGPROJECTS.html
Types of Capital Projects

• New facilities or major additions/renovations
  – Academic and general administrative use
    • Funded by the state
    • Usually requires match from institution (e.g. one-third)
    • Large projects may require issuance of bonds
    • Fund raising often required for UMD’s share of cost
  – Auxiliary-type use - funded by auxiliary funds
    • Funding source may be fund balance or issuance of bonds
    • Debt service obligation could be secured by increase in student fees or other charges for services (e.g. housing rent, dining plans, etc.)

• Other Repairs and Renovations
  – Higher Education Asset Preservation and Renovation (HEAPR)
  – Other renovations and significant repairs or upfits
Higher Education Asset Preservation and Renovation (HEAPR)

- Maximize the effectiveness and extend the life of the University of Minnesota's 29 million square feet of infrastructure. The University allocates HEAPR funding systemwide using a formula based on total campus square footage and facility condition (UMD is 8.7%).
- Projects fall into four categories:
  1. health, safety, and accessibility
  2. building systems
  3. utility infrastructure
  4. energy efficiency
- Request to Legislature for FY2017-18 is $200 million
2018 Capital Budget Request

• Systemwide - Academic & Student Experience Investments - $24M
  – $16M from state and $8.0M from University

• Next Major UMD project may be bundled renovations for AB Anderson, Humanities, Library Annex, Heller Hall, Chemistry, Marshall W Alworth Hall