State of Minnesota
General Fund Budget
Where the Money Comes From
2020-21 Biennial Budget $51.2 Billion
(in millions of $)

Beginning Cash Balance, $3,080, 6%

Individual Income Tax, $25,547, 50%

Non-Tax Revenues, $2,032, 4%

Other Taxes, $2,517, 5%

Sin Taxes, $1,436, 3%

Statewide Property & Estate/Gift Tax, $1,561, 3%

Corporate Income Tax, $3,190, 6%

Sales Tax, $11,873, 23%
University of Minnesota System
Operating Budget
University of Minnesota
Non-Sponsored Funds
Fiscal Year 2020 - $3.6 Billion
By Revenue Source

- Tuition: 28%
- State Support: 19%
- Auxiliary Enterprises: 11%
- All Other: 8%
- Grants/Contracts, Misc: 12%
- Sales, Fees, & Misc: 11%
- Internal Sales: 7%
- F&A/ICR: 4%
University of Minnesota
Non-Sponsored Funds
Fiscal Year 2020 - $3.4 Billion
By Object of Expenditure

- Salaries & Fringe: 62%
- Supplies & Services: 12%
- Student Aid: 10%
- All Other: 3%
- Equipment: 2%
- Utilities: 5%
- Repairs & Maintenance: 3%
- Consultants/Purchased Personnel: 3%
University of Minnesota
Non-Sponsored Funds
Fiscal Year 2020 - $3.4 Billion
By Function

- Instruction: 26%
- Research: 10%
- Public Service: 6%
- Academic Support: 17%
- Student Services: 5%
- Institutional Support: 8%
- Op. & Maint of Plant: 9%
- Scholarships/Fellowships: 10%
- Auxiliary Enterprises: 9%
“Other Funds” have grown as a percent of the University’s total revenues

<table>
<thead>
<tr>
<th>Year</th>
<th>State Appropriations</th>
<th>Tuition</th>
<th>All Other Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>39%</td>
<td>12%</td>
<td>49%</td>
</tr>
<tr>
<td>1996</td>
<td>32%</td>
<td>13%</td>
<td>55%</td>
</tr>
<tr>
<td>2002</td>
<td>32%</td>
<td>16%</td>
<td>52%</td>
</tr>
<tr>
<td>2008</td>
<td>27%</td>
<td>22%</td>
<td>52%</td>
</tr>
<tr>
<td>2014</td>
<td>18%</td>
<td>25%</td>
<td>57%</td>
</tr>
<tr>
<td>2020</td>
<td>18%</td>
<td>25%</td>
<td>57% (estimated)</td>
</tr>
</tbody>
</table>
University of Minnesota Duluth
Operating Budget
UMD 2019-20 Operating Budget
By Revenue Source
$288,280,619

- Tuition: $114,652,246 (40%)
- State Appropriation: $47,804,250 (17%)
- Indirect Costs Reimbursement: $2,380,398 (1%)
- Fee Receipts: $15,882,898 (5%)
- Other Income: $9,673,997 (3%)
- Gifts & Endowments: $10,654,404 (4%)
- State Special: $4,452,946 (1%)
- Auxiliary Revenue: $43,714,332 (15%)
- Financial Aid: $25,315,148 (9%)
- Sponsored Funds: $13,750,000 (5%)
- Other Revenue: $10,654,404 (4%)
UMD 2019-20 Operating Budget
By Function
$287,875,171

- Auxiliary Enterprises: $35,855,801, 12%
- Student Services: $16,701,666, 6%
- Central Utilities: $5,081,250, 2%
- O & M Plant: $17,225,266, 6%
- Student Aid: $41,663,260, 15%
- Academic Support: $32,776,775, 11%
- Instruction: $73,071,765, 25%
- Research: $32,354,704, 11%
- Institutional Support: $33,144,684, 12%
<table>
<thead>
<tr>
<th>University</th>
<th>Tuition &amp; Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northwestern University</td>
<td>54,568</td>
</tr>
<tr>
<td>Penn State University</td>
<td>18,454</td>
</tr>
<tr>
<td>University of Michigan-Ann Arbor</td>
<td>15,262</td>
</tr>
<tr>
<td>University of Illinois-Urbana-Champaign</td>
<td>15,094</td>
</tr>
<tr>
<td>Rutgers University</td>
<td>14,974</td>
</tr>
<tr>
<td>University of Minnesota-Twin Cities</td>
<td>14,760</td>
</tr>
<tr>
<td>Michigan State University</td>
<td>14,460</td>
</tr>
<tr>
<td><strong>University of Minnesota-Duluth</strong></td>
<td><strong>12,628</strong></td>
</tr>
<tr>
<td>Ohio State University</td>
<td>10,726</td>
</tr>
<tr>
<td>University of Maryland-College Park</td>
<td>10,595</td>
</tr>
<tr>
<td>University of Wisconsin</td>
<td>10,555</td>
</tr>
<tr>
<td>Indiana University-Bloomington</td>
<td>10,388</td>
</tr>
<tr>
<td>Purdue University-West Lafayette</td>
<td>9,992</td>
</tr>
<tr>
<td>University of Iowa-Iowa City</td>
<td>9,267</td>
</tr>
<tr>
<td>University of Nebraska-Lincoln</td>
<td>9,242</td>
</tr>
</tbody>
</table>
UM Budget Balancing Terms

• Structural Imbalance – this occurs when an RRC (a unit of the University of which UMD is one) budgets more for Expenditures than it does for Revenue
  – For UMD this is $4 million - recurring

• Sequestered Deficit – this is the accumulated cash deficit created as the recurring budget is not balanced
  – For UMD this is $6.8 million – one-time
University of Minnesota Duluth
Funding In Millions of $ - State, Tuition, & State Special

*data from 2020 reflects budgeted (vs actual in previous years)
Fall Enrollment increased by 1,876 students from 2001 to 2011.

From FY02 to FY12 the UMD's O&M Budget increased by $59 million but the O&M Expenditure budget increased by about $23 million.

Fall Enrollment decreased by 1,052 students from 2011 to 2019.

From FY12 to FY20 UMD's O&M Revenue budget increased by about $19 million but the O&M Expenditure budget increased by about $23 million.
Two Operating Budget Processes:

• Biennial Budget Request to the State
  - completed every two years – FY 2019-21

• Annual Budget “Compact”
  - conducted every year – FY 2020-21
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 50; each Twin Cities college and major support unit and the other system campuses are also RRCs.

• Process allocates Systemwide support costs from 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
- F&A (ICR)
- Fees
- Gifts
- Sales
- Etc.

Allocated State Appropriation

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

In combination with the “Budget Framework” and the “Decision Making Process” = full Budget Development
9 Primary Cost Allocation Pools

Highlighted Pools are allocated to UMD

Facilities Operations and Maintenance
(Allocation to RRCs based on Assigned space)
- Custodial, Waste, Landcare, R&R, Maintenance, BSAC
  - FY20: $73.5m

Utilities
(Allocation to RRCs based on Actual use)
- Steam, Gas, Electricity, Chilled Water
  - FY20: $60.0m

Debt & Leases
(Allocation to RRCs based on Actual debt service)
- Actual cost of Debt Service and Leases by Building
  - FY20: $38.2m

Information Technology
(Allocation to RRCs based on Employee & Student headcounts)
- Internet, E-mail, Voice Serv, File Storage, PeopleSoft, etc.
  - FY20: $80.2m

Support Service Units
(Allocation to RRCs based on pro-rata Total expenditures)
- HR, Controller, U Relations, Gen Cnsl, Pub Safety, etc.
  - FY20: $104.8m

Libraries
(Allocation to RRCs based on weighted student & faculty headcount)
- Twin Cities Libraries, excluding the Law Library
  - FY20: $57.0m

Student Services
(Allocation to RRCs based on pro-rata Student headcount)
- Student Finance, Honors, Aid, Admissions, Grad Sch., etc.
  - FY20: $96.2m

General Purpose Classrooms
(Allocation to RRCs based on pro-rata student registrations)
- Office of Classroom Management
  - FY20: $16.7m

Research
(3 year rolling average of sponsored expenditures)
- OVPR, Sponsored Financial Reporting, U Hlth&Safety
  - FY20: $41.5m
## 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 (Sr. VP Office only)</td>
</tr>
<tr>
<td>Budget and Finance</td>
<td>VP Health Sciences</td>
</tr>
<tr>
<td>Capital Planning/Project Management</td>
<td>Human Resources</td>
</tr>
<tr>
<td>Controller’s Office (excluding SFR)</td>
<td>President’s Office</td>
</tr>
<tr>
<td>General Counsel</td>
<td>Graduate School</td>
</tr>
<tr>
<td>University Relations</td>
<td></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.
<table>
<thead>
<tr>
<th>Cost Pool Allocations to UMD FY 2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost Pool</strong></td>
</tr>
<tr>
<td>Information Technology</td>
</tr>
<tr>
<td>(Centrally Allocated/Unweighted Headcount/Tiered) – UMD shares in 51% of TC Costs</td>
</tr>
<tr>
<td>Student Services</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>
</tr>
<tr>
<td>Debt &amp; Leases</td>
</tr>
<tr>
<td>(Occupancy/General Purpose Classrooms) - actual debt service for UMD capital projects</td>
</tr>
<tr>
<td>Research</td>
</tr>
<tr>
<td>(Sponsored Services/3 Yr. RollingAvg. Sponsored Expenditures)</td>
</tr>
<tr>
<td>Support Service Units</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>
</tr>
<tr>
<td>Total Cost Pool Allocation of those charged to UMD</td>
</tr>
</tbody>
</table>
Capital Budget Process
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 October
- 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 into design

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

- Instructions in February – RRCs submit list of eligible projects in March
- Approved by the Board in June
- Includes projects estimated to cost more than $1 million
- Projects must have a completed and approved predesign study through Capital Project Management
- Projects must have funding “in hand” or have an approved financing agreement with the University Budget Office
- Projects must be ready to proceed into design and construction
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 increasing 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 8.8%).
- Projects fall into four categories:
  1. health, safety, and accessibility
  2. building systems
  3. utility infrastructure
  4. energy efficiency
2021 Capital Budget Request

• FY20-21 Board of Regents 1st Priority is $200 million for HEAPR; if appropriated, UMD share would be about $17 million

• UMD project on the Capital Request is A.B. Anderson Renovations for $6.2 million (1/3rd of which must be matching from UMD)
Questions?