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➤ Designates that this item is a change item



January 27, 2009

The 2009 Minnesota Legislature:

On behalf of Governor Tim Pawlenty, I am submitting the FY 2010-2011 budget recommendations for higher education. These recommendations would reduce general fund appropriations to the Office of Higher education, the University of Minnesota and the Minnesota State Colleges and Universities System to help solve the \$4.8 billion projected budget shortfall for the biennium. The Governor's recommendations strike a balance between support for institutions and support for the State Grant program and other student-centered proposals.

The total recommended general fund appropriation for higher education, including the University of Minnesota, the MnSCU system, the Office of Higher Education and the Mayo Clinic is \$2.823 billion. This total reduction is \$312.9 million or about a 10% decrease over the total higher education base budget.

The Governor's budget reduces the general fund base level funding of \$1.394 billion for the University of Minnesota by \$151.0 million. This reduction represents a 10.8% change from base funding.

The Governor's budget reduces the general fund base level funding of \$1.364 billion for MnSCU by \$146.0 million. This reduction represents a 10.7% reduction from base funding.

In addition, the Governor recommends the University of Minnesota Board of Regents and the MnSCU Board of Trustees institute firm caps on tuition increases to ensure rising tuition costs do not unduly harm students.

These recommendations reflect very difficult choices in an economic environment not seen for many decades. We look forward to working with the Legislature in the coming months.

Sincerely,

A handwritten signature in cursive script that reads "Susan Heegaard".

Susan Heegaard
Director

Agency Purpose

The University of Minnesota is both the state's land-grant university, with a strong tradition of education and public engagement, and a major research institution, with faculty of national and international reputation. Its statutory mission is to "offer undergraduate, graduate, and professional instruction through the doctoral degree, and ... be the primary state supported academic agency for research and extension services." (M.S. 135A.052)

The University of Minnesota, founded in 1851, has five campuses (Twin Cities, Duluth, Morris, Crookston, Rochester), six research and outreach centers, two biological stations, one forestry station and regional extension offices throughout the state.

The University is a multi-campus university. The chief operating officers for the Twin Cities campus also serve as the senior officers for the entire University.

The Twin Cities campus is one of the two largest campuses in the country in terms of enrollment (50,883 students) and also one of the most comprehensive. It is the state's major research campus and with more than \$600 million annually in research grant awards, it accounts for more than 98% of all research expenditures at Minnesota's higher education institutions, both public and private.

The University of Minnesota, Duluth (11,184 students) is a comprehensive regional university that offers instruction through the master's degree. The campus contributes to meeting the cultural needs of the region and serves as a focal point for the economic development of the region through community outreach and through an emphasis on the sea-grant and land-grant components of its program.

The University of Minnesota, Morris (1,686 students) is one of the top public liberal arts colleges in the nation, providing an innovative and high quality residential education to its undergraduates that emphasizes faculty-student collaborative research, study abroad and service learning.

The University of Minnesota, Crookston (2,346 students) provides applied, career-oriented education through baccalaureate programs that combine theory, practice and experimentation in a technologically rich environment.

The University of Minnesota, Rochester, established in 2006, is focused on meeting the educational needs of the Rochester area. With more than 35 programs available, UMR provides graduate and undergraduate degrees in health sciences, biotechnology, business, education, graphic design, public health, and social work.

Core Functions

The University of Minnesota's three mission activities are:

- ◆ teaching and learning;
- ◆ research and discovery; and
- ◆ outreach and public service.

At A Glance

The University of Minnesota is governed by a 12-member, legislatively appointed Board of Regents.

Statewide Presence:

- ◆ Five campuses (Crookston, Duluth, Morris, Rochester, Twin Cities)
- ◆ Six research and outreach centers (Crookston, Grand Rapids, Lamberton, Morris, Rosemount, Waseca)
- ◆ Two biological stations (Lake Itasca, Cedar Creek)
- ◆ One forestry center (Cloquet)
- ◆ 18 regional University of Minnesota Extension Offices

Annual Budget:

\$3.0 billion (FY 2009 budgeted revenues)

Student Enrollment (Fall 2007):

40,572	Undergraduate
14,906	Graduate
3,939	First Professional
<u>6,682</u>	Non-Degree
66,099	TOTAL / all campuses

Faculty and Staff (Fall 2007):

19,274 Faculty and Staff
14,636 Student Workers (includes fellows, post-docs, and professionals in training)

Teaching and Learning: The University of Minnesota provides instruction through a broad range of educational programs that prepare undergraduate, graduate, and professional students for productive roles in society.

Research and Discovery: The University of Minnesota generates and preserves knowledge, understanding, and creativity by conducting research, scholarship, and artistic activity.

Outreach and Public Service: The University of Minnesota exchanges its knowledge and resources with society by making them accessible to the citizens of the state.

Operations

The University of Minnesota conducts its mission activities from its campuses and other facilities throughout the state. The University of Minnesota:

- ◆ provides instruction for more than 66,000 students;
- ◆ graduates more than 13,500 students, 36 percent with graduate or first professional degrees;
- ◆ conducts more than \$600 million in research sponsored by the National Institutes of Health, the National Science Foundation, many other federal agencies, and numerous private companies and foundations; and
- ◆ reaches out to more than one million Minnesotans through various outreach and public service activities.

Budget

The University of Minnesota's FY 2009 budgeted revenues of \$3.0 billion are primarily generated by five main sources of revenue:

◆ State Appropriations	\$721.9 million / 24%
◆ Tuition and Fees	\$622.8 million / 21%
◆ Sponsored Grants & Contracts	\$470.0 million / 16%
◆ Sales and Other Revenue	\$858.9 million / 28%
◆ Gift, Endowment Earnings and Other Restricted Sources	\$348.3 million / 11%

The University of Minnesota's total state appropriation includes both a general unrestricted appropriation that supports the University's core operations and appropriations that are restricted to special purposes (e.g., University of Minnesota Extension Service).

Instructional Expenditures

Laws of Minnesota for 2007 require the public post-secondary systems in Minnesota to report instructional and non-instructional expenditures in the biennial budget document. For fiscal year 2006-07 (the most recent year of audited financial data) the University of Minnesota's instructional expenditures totaled \$644,461,760. The definition of instructional expenditures is "A functional expense category that includes expenses of the colleges, schools, departments, and other instructional divisions of the institution and expenses for departmental research and public service that are not separately budgeted." This definition was developed by the Integrated Post-Secondary Education Data System (IPEDS) and is used by higher education institutions for consistent cross-institution comparisons.

Non-instructional expenditures for fiscal year 2006-07 totaled \$1,910,893,614 and included the following IPEDS categories of expenses: Research, Public Service, Academic Support, Student Services, Institutional Support, Operations and Maintenance of Plant, Depreciation, Scholarships and Fellowships, Auxiliary Enterprises.

	<u>FY 2007</u>	<u>FY 2006</u>
Instructional Expenditures	\$644,461,760	\$621,355,308
Non-Instructional Expenditures	<u>\$1,910,893,614</u>	<u>\$1,774,824,054</u>
Total Operating Expenditures	\$2,555,355,374	\$2,396,179,362

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Dollars in Thousands

	Current		Governor Recomm.		Biennium 2010-11
	FY2008	FY2009	FY2010	FY2011	
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	3,123	2,831	2,831	2,831	5,662
Recommended	3,123	2,831	0	0	0
Change		0	(2,831)	(2,831)	(5,662)
% Biennial Change from 2008-09					-100%
General					
Current Appropriation	711,622	697,142	697,142	697,142	1,394,284
Recommended	711,622	697,142	627,092	627,092	1,254,184
Change		0	(70,050)	(70,050)	(140,100)
% Biennial Change from 2008-09					-11%
Health Care Access					
Current Appropriation	2,157	2,157	2,157	2,157	4,314
Recommended	2,157	2,157	2,157	2,157	4,314
Change		0	0	0	0
% Biennial Change from 2008-09					0%
Miscellaneous Special Revenue					
Current Appropriation	22,250	22,250	22,250	22,250	44,500
Recommended	22,250	22,250	22,250	22,250	44,500
Change		0	0	0	0
% Biennial Change from 2008-09					0%
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	3,209	3,331	0	0	0
General	706,922	699,842	628,492	628,092	1,256,584
Miscellaneous Special Revenue	22,250	22,250	22,250	22,250	44,500
Statutory Appropriations					
Health Care Access	2,157	2,157	2,157	2,157	4,314
Miscellaneous Agency	9,271	9,030	9,211	8,926	18,137
Total	743,809	736,610	662,110	661,425	1,323,535
<u>Expenditures by Category</u>					
Other Operating Expenses	17,400	17,400	17,400	17,400	34,800
Local Assistance	724,252	717,053	642,753	642,068	1,284,821
Transfers	2,157	2,157	1,957	1,957	3,914
Total	743,809	736,610	662,110	661,425	1,323,535
<u>Expenditures by Program</u>					
Maintenance & Operations	706,922	699,842	628,492	628,092	1,256,584
Permanent University Fund	9,271	9,030	9,211	8,926	18,137
Health Special Revenues	24,407	24,407	24,407	24,407	48,814
Lcmr/Mn Resources	3,209	3,331	0	0	0
Total	743,809	736,610	662,110	661,425	1,323,535

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
Fund: ENVIRONMENT & NATURAL RESOURCE				
FY 2009 Appropriations	2,831	2,831	2,831	5,662
Technical Adjustments				
One-time Appropriations		(2,831)	(2,831)	(5,662)
Subtotal - Forecast Base	2,831	0	0	0
Total Governor's Recommendations	2,831	0	0	0
Fund: GENERAL				
FY 2009 Appropriations	697,142	697,142	697,142	1,394,284
Technical Adjustments				
Current Law Base Change		5,450	5,450	10,900
Subtotal - Forecast Base	697,142	702,592	702,592	1,405,184
Change Items				
Base Reduction	0	(75,500)	(75,500)	(151,000)
Total Governor's Recommendations	697,142	627,092	627,092	1,254,184
Fund: HEALTH CARE ACCESS				
FY 2009 Appropriations	2,157	2,157	2,157	4,314
Subtotal - Forecast Base	2,157	2,157	2,157	4,314
Total Governor's Recommendations	2,157	2,157	2,157	4,314
Fund: MISCELLANEOUS SPECIAL REVENUE				
FY 2009 Appropriations	22,250	22,250	22,250	44,500
Subtotal - Forecast Base	22,250	22,250	22,250	44,500
Total Governor's Recommendations	22,250	22,250	22,250	44,500
Fund: HEALTH CARE ACCESS				
Planned Statutory Spending	2,157	2,157	2,157	4,314
Total Governor's Recommendations	2,157	2,157	2,157	4,314
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	9,030	9,211	8,926	18,137
Total Governor's Recommendations	9,030	9,211	8,926	18,137

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(75,500)	\$(75,500)	\$(75,500)	\$(75,500)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(75,500)	\$(75,500)	\$(75,500)	\$(75,500)

Recommendation

The Governor recommends a reduction of \$75.5 million in FY 2010 and \$75.5 million in FY 2011 to the University of Minnesota general fund operating budget. This represents an 10.8% reduction to the general fund operating budget. The Governor intends that the University should focus its operating funds on maintaining its highest priority services. The Governor also recommends the University Board of Regents institute a firm cap on tuition increases. In addition, the Governor aims to provide as much flexibility as possible to the agency for the implementation of these reductions.

The Governor respects the constitutional autonomy of the University and calls upon the Board of Regents to closely examine the operations and business processes of the University in order to find ways to reduce duplication among its programs and reallocate funds to protect its priorities before resorting to increases in tuition.

Background

Given the current budget climate, the University must be expected to eliminate duplication in its programs and focus on its core priorities in order to continue meeting student needs. This recommendation is consistent with the reductions that state agencies are expected to make in other state-funded activities. In FY 2008, the University's annual resident undergraduate tuition and fees totaled \$10,634 and ranked fifth among Big Ten universities. The operating reductions should be distributed among the maintenance and operations appropriations, and the state special appropriations as needed for the University to prioritize its programs.

Relationship to Base Budget

An 10.8% general operating fund reduction would provide a challenge to the system to prioritize within existing resources. This reduction represents an 10.8% reduction from FY 2009 funding levels and is a \$151 million decrease from FY 2010-11 base levels.

Statutory Change: Not Applicable

Program Description

The University of Minnesota, through its land grant mission of teaching and learning, research and discovery, and outreach and public service, is dedicated to advancing knowledge and serving as a partner for the public good. To that end, the University is committed to a vision to transform itself into one of the world's top public research universities.

Each year, the University serves more than 66,000 students, conducts approximately \$600 million in externally sponsored research and reaches out to more than one million Minnesotans through public service activities. All of the various activities necessary to bring this three-part mission to life make up the "program" of maintenance and operations.

State appropriations to the University are allocated throughout the system. State funding supports the work on each campus, across all units, in each college, and across a wide variety of departments and centers. The state special appropriations are restricted to particular purposes as indicated in law, while the general operations and maintenance appropriation is unrestricted and is used to support a portion of the University's core cost of instruction, research, public service, academic support, institutional support, student services and support, and operation and maintenance of the physical plant. Combined, these functional categories of expense make up the total of University operations.

Population Served

The University of Minnesota provides services to students and citizens of the state. Some of the University's services are so far-reaching that citizens of the nation and the world are beneficiaries. The University's missions of teaching and learning, research and discovery, and outreach and public service are mutually reinforcing activities and often intersect in the delivery of services.

The instructional mission serves students throughout their lifetimes and is delivered in different modalities – from classroom instruction, to the Internet, to outreach activities in local communities. More than 66,000 students enroll in undergraduate, graduate, and professional degree programs at the University. Programs at the University can be viewed at <http://onestop2.umn.edu/programCatalog/>

Talented secondary students receive instruction through the Post-Secondary Education Option Act, College in the Schools, the Talented Youth Mathematics program, the Minority Health High School Superstar Program, and many other programs. Adult learners have opportunities through online courses, professional development courses, and certificate programs, as well as educational outreach programs in communities throughout the state.

Research conducted at the University of Minnesota benefits the state and all of society. Research fuels job creation – for every \$1 million spent on university-based research, 39 jobs are created in Minnesota. Research expands the sum of human knowledge and research labs provide the training ground for future scientists. Research at the University has resulted in discoveries and inventions in agriculture, medicine, engineering, and other fields. Many start-up companies have been formed and technologies licensed as a result of University research. Discoveries – from seed stock to plant varieties, from animal vaccines to drugs for humans, from

Program at a Glance

Governance

The University of Minnesota is governed by a 12-member, legislatively appointed Board of Regents.

Education

Student Enrollment (Fall 2007):

40,572	undergraduate
14,906	graduate
3,939	first professional
<u>6,682</u>	non-degree
66,099	TOTAL all campuses

- ◆ More than 13,500 degrees awarded in 2007

Research

- ◆ \$619.0 million in research grant awards in fiscal year 2007; \$422.8 million from federal agencies and the balance from private sources, industry, and state and local governments
- ◆ 98% of research and development conducted by higher education institutions in Minnesota is conducted at the University of Minnesota
- ◆ 44 patents issued to U researchers in 2007 and 77 new technologies licensed

Public Service

- ◆ More than one million people served annually
- ◆ 18 regional extension offices statewide
- ◆ Six research and outreach centers in state

medical devices to engineering applications – all contribute to the high quality of life in Minnesota and the state's economy. Current University of Minnesota research programs are sponsored by hundreds of federal agencies, private foundations, and private companies. These sponsors are among the many who are served by the University. Highlights of fiscal year 2007 research activity can be found at <http://www.research.umn.edu/communications/publications/documents/OVPRAnnualReport07.pdf>

The outreach and public service mission of the University serves communities throughout the state. Outreach programs serve as a way to transfer and apply knowledge between the University and society. A full range of University expertise is offered to respond to the diverse needs of the citizens of the state. More than one million people are served annually by University public service activities. The largest program is the University of Minnesota Extension Service. Examples of the wide range of other programs available are: mini-medical school, a health care purchasing alliance, a swine disease eradication program, telemedicine, economic development for northeastern Minnesota, cooperative programs with school districts, and technology training. The Minnesota Geological Survey, the Veterinary Diagnostics Laboratory, and the Center for Urban and Regional Affairs are just a few of the centers at the University offering outreach services. University of Minnesota faculty who are veterinarians, dentists, pharmacists, and physicians also provide a special kind of public service through their clinical work at the University and affiliated hospitals and clinics.

Services Provided

The University of Minnesota's three mission activities are:

- ◆ teaching and learning,
- ◆ research and discovery, and
- ◆ outreach and public service.

Teaching and Learning: The University of Minnesota provides instruction through a broad range of educational programs that prepare undergraduate, graduate, and professional students for productive roles in society.

Research and Discovery: The University of Minnesota generates and preserves knowledge, understanding, and creativity by conducting research, scholarship, and artistic activity.

Outreach and Public Service: The University of Minnesota extends and applies its knowledge and resources with society by making them accessible to the citizens of the state.

Historical Perspective

Over the past decade, the University has given high priority to continuing the improvement of its undergraduate, graduate, and professional programs as can be measured by the success of its students (e.g., increased applications, quality of applicants, student satisfaction, and graduation and retention rates). The University offers unique opportunities to its undergraduates through its Undergraduate Research Opportunities Program, intensive seminars with distinguished faculty, and a wealth of disciplines for study, including many cutting-edge interdisciplinary fields. The University has also expanded residential learning – an educational model in which students with shared academic interests choose to reside together. And in cooperation with the state of Minnesota, the University has invested more than \$1 billion in capital improvements on all of its campuses to enhance the learning and research environments for students.

The University continues to grow its highly ranked research endeavor to produce pioneering solutions to issues faced by the citizens of Minnesota and people around the globe. In fiscal year 2007, the University was awarded \$619.0 million in grants to pursue research activities. Included in the figure is approximately \$423.0 million from federal agencies; additional grants were received from business and industry as well as state and local governments. The University was issued 44 patents in fiscal year 2007 and currently has more than 760 active licenses with industry. The University's Academic and Corporate Relations Center serves as a "front door" to connect Minnesota businesses and industry to the University's resources; the center received the 2007 Tekne Award for "Innovation Collaboration of the Year." Additionally, multiple ranking systems place the University of Minnesota among the top 10 public research universities nationwide.

Throughout the decades, the University has fulfilled its mission as the state's land-grant university through numerous public service and outreach activities. The best known, the University of Minnesota Extension Service, is one of the principle ways in which the University delivers the practical applications of its research to the citizens of the state. Through the commercialization of technology, continuing education programs, medical and dental clinics, and numerous other public engagement activities, the University of Minnesota improves the quality of life of all Minnesotans.

Key Program Goals

In 2004, the University embarked on a journey to achieve a higher standard of academic excellence, with a goal of becoming one of the top three public research universities in the world within a decade. Critical to obtaining this goal is a system of metrics and measurements by which to evaluate progress. The University Plan, Performance, and Accountability Report (available at <http://www.academic.umn.edu/accountability/reports/2008.html>) is a comprehensive report that aligns the University's aspirational goal with a set of strategic measures.

Key Program Measures

Within the University's comprehensive strategic review, four "pillars" upon which its efforts to achieve the aspirational goal were identified. They are:

- ◆ Exceptional Students: Recruit, educate, challenge, and graduate outstanding students who become highly motivated lifelong learners, leaders, and global citizens.
- ◆ Exceptional Faculty and Staff: Recruit, mentor, reward, and retain world-class faculty and staff who are innovative, energetic, and dedicated to the highest standards of excellence.
- ◆ Exceptional Organization: Be responsible stewards of resources, focused on service, driven by performance, and known as the best among our peers.
- ◆ Exceptional Innovation: Inspire exploration of new ideas and breakthrough discoveries that address the critical problems and needs of the University, state, nation, and the world.

Each of these areas has multiple criteria for measuring the University's progress toward achieving its strategic goal. These measures are enumerated, with comparative data across years and other institutions in the University Plan, Performance, and Accountability Report (available at: <http://www.academic.umn.edu/accountability/reports/2008.html>)

Program Funding

The general state appropriation for the University of Minnesota totaled \$632.1 million in budgeted revenues for fiscal year 2009. In addition to this general appropriation, the University receives restricted state funding for specific purposes at the University, \$67.2 million in budgeted revenues for fiscal year 2009. Combined, these general and restricted sources of state funding, \$699.3 million, support approximately 24% of the University's fiscal year 2009 total budget.

The University of Minnesota is faced with inflationary cost increases. The Higher Education Price Index (HEPI) is an inflation index designed specifically to track the main cost drivers in higher education. It is a more accurate indicator of changes in costs for colleges and universities than the more familiar Consumer Price Index (CPI). The HEPI measures the average relative level of prices in a fixed basket of goods and services purchased by colleges and universities. The CPI, on the other hand, measures goods and services that people buy for day-to-day living. The main components of the HEPI basket of goods are professional salaries and fringe benefits of faculty, administrators and other professional service personnel; non professional wages, salaries and fringe benefits for clerical, technical, service and other non-professional personnel; contracted services such as data processing, communication, transportation, supplies and materials, and equipment; library acquisitions; and utilities. The HEPI rose by 3.6% for fiscal year 2008.

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UNIVERSITY OF MINNESOTA
 Program: MAINTENANCE & OPERATIONS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	711,622	697,142	697,142	697,142	1,394,284
Technical Adjustments					
Current Law Base Change			5,450	5,450	10,900
Subtotal - Forecast Base	711,622	697,142	702,592	702,592	1,405,184
Governor's Recommendations					
Base Reduction		0	(75,500)	(75,500)	(151,000)
Total	711,622	697,142	627,092	627,092	1,254,184
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	706,922	699,842	628,492	628,092	1,256,584
Total	706,922	699,842	628,492	628,092	1,256,584
<u>Expenditures by Category</u>					
Other Operating Expenses	17,400	17,400	17,400	17,400	34,800
Local Assistance	689,522	682,442	611,292	610,892	1,222,184
Transfers	0	0	(200)	(200)	(400)
Total	706,922	699,842	628,492	628,092	1,256,584
<u>Expenditures by Activity</u>					
Maintenance & Operations	706,922	699,842	628,492	628,092	1,256,584
Total	706,922	699,842	628,492	628,092	1,256,584

UNIVERSITY OF MINNESOTA

Program: HEALTH SPECIAL REVENUES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Health Care Access					
Current Appropriation	2,157	2,157	2,157	2,157	4,314
Subtotal - Forecast Base	2,157	2,157	2,157	2,157	4,314
Total	2,157	2,157	2,157	2,157	4,314
Miscellaneous Special Revenue					
Current Appropriation	22,250	22,250	22,250	22,250	44,500
Subtotal - Forecast Base	22,250	22,250	22,250	22,250	44,500
Total	22,250	22,250	22,250	22,250	44,500
<u>Expenditures by Fund</u>					
Direct Appropriations					
Miscellaneous Special Revenue	22,250	22,250	22,250	22,250	44,500
Statutory Appropriations					
Health Care Access	2,157	2,157	2,157	2,157	4,314
Total	24,407	24,407	24,407	24,407	48,814
<u>Expenditures by Category</u>					
Local Assistance	22,250	22,250	22,250	22,250	44,500
Transfers	2,157	2,157	2,157	2,157	4,314
Total	24,407	24,407	24,407	24,407	48,814
<u>Expenditures by Activity</u>					
Minnicare	2,157	2,157	2,157	2,157	4,314
Tobacco Medical Education	22,250	22,250	22,250	22,250	44,500
Total	24,407	24,407	24,407	24,407	48,814

UNIVERSITY OF MINNESOTA

Program: PERMANENT UNIVERSITY FUND

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2010-11
	FY2008	FY2009	FY2010	FY2011	
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Miscellaneous Agency	9,271	9,030	9,211	8,926	18,137
Total	9,271	9,030	9,211	8,926	18,137
<u>Expenditures by Category</u>					
Local Assistance	9,271	9,030	9,211	8,926	18,137
Total	9,271	9,030	9,211	8,926	18,137
<u>Expenditures by Activity</u>					
Permanent University Fund	9,271	9,030	9,211	8,926	18,137
Total	9,271	9,030	9,211	8,926	18,137

UNIVERSITY OF MINNESOTA
 Program: LCMR/MN RESOURCES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	3,123	2,831	2,831	2,831	5,662
Technical Adjustments					
One-time Appropriations			(2,831)	(2,831)	(5,662)
Subtotal - Forecast Base	3,123	2,831	0	0	0
Total	3,123	2,831	0	0	0
 <u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	3,209	3,331	0	0	0
Total	3,209	3,331	0	0	0
 <u>Expenditures by Category</u>					
Local Assistance	3,209	3,331	0	0	0
Total	3,209	3,331	0	0	0
 <u>Expenditures by Activity</u>					
Lcmr/Mn Resources	3,209	3,331	0	0	0
Total	3,209	3,331	0	0	0

University of Minnesota
2010-11 Biennial Budget Request

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$36,500	\$58,700	\$58,700	\$58,700
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$36,500	\$58,700	\$58,700	\$58,700

Request

The University is committed to the support of employees as one of the primary means to ensuring continued quality and competitiveness. In support of this objective, the University requests \$36.5 million in FY10 and an additional \$22.2 million in FY11 to address a portion of the costs of providing a general compensation increase for University employees.

Background

The University is a people-driven institution. It is the faculty, staff and students that conduct the research, instruct and serve the students, develop the programs, maintain the infrastructure, and transact the business. As a result, approximately two-thirds of the University's annual all-funds operating budget is devoted to salary and fringe benefit expenses.

Compensation increases at the University over the last two biennia have been modest. Each year, salary adjustments for non-contract employees are largely distributed on a merit basis to reward performance and provide positive incentives for people to reach their potential. As a result, descriptions of general salary increases at the University should be understood as increases in the salary pools. General salary pool increases in the recent past have been set at the following levels:

FY06	3.00%	Increase
FY07	3.00%	Increase
FY08	3.25%	Increase
FY09	3.25%	Increase

These increases have taken place while faculty and staff have faced the rising cost of goods and services. The Consumer Price Index for all urban consumers (CPI-U), computed by the Bureau of Labor Statistics, measures the average change in prices over time of goods and services purchased by households. In July, 2008, the CPI-U increased .5%, which represented an increase of 5.6% compared to July, 2007. During the first seven months of 2008, the CPI-U rose at a 6.2% seasonally adjusted annualized rate, compared to the 4.1% increase for the twelve months ending December, 2007. Several components of the CPI-U are increasing at alarming rates for the first seven months of 2008. For example, the energy index increased 33.1% for the first seven months compared to an increase of 17.4% in 2007. Also, the food index has increased 7.6% for the first seven months of 2008 after increasing 4.9% in 2007.

It is a priority of the University to reward performance and recognize the economic realities faced by its employees, regardless of which fund source actually pays their salary. The University tracks over 200 different funding sources in its general ledger, and many of those support employee compensation. Roughly 57% of the University's compensation cost is funded with state appropriation and tuition combined; 14% is funded with project specific sponsored research grants from the federal government or foundations, and the remaining 29% is funded with miscellaneous resources including sales and fee income, endowment earnings, gifts, and so forth.

This request to the state for the 2010-2011 biennium is based on a general salary increase in each year of **3.00%** plus the associated fringe benefit costs - for compensation funded with state appropriation and tuition only. In recognition of the critically important role employees play in achieving the strategic goals of the University, we are

requesting \$36.5 million in FY10 and an additional \$22.2 million in FY11 – 73% of the projected increase in compensation costs on those state and tuition funded salaries. The University will fund the remaining 27% with the proposed increase in tuition. Additionally, the University will fund the corresponding cost increases on sponsored and miscellaneous funds with increases in those revenues where possible or internal reallocation. Without recognizing a modest increase in the cost of living and providing rewards for exemplary performance, the University stands to lose very talented employees and therefore jeopardize its success in becoming one of the top three research Universities in the world.

Relationship to Base Budget

Funding the University's initiative requests of \$54.5 million in FY10 and \$32.2 million in FY11 will increase the University's annual recurring general fund appropriations to \$757,192,000 and \$789,392,000 respectively, or \$1,546,584,000 for the biennium. This represents a biennial funding level that is 9.8% higher than the 2008-09 biennial appropriation, and an annual increase in appropriation of 6%.

Key Measures

- The University will be able to maintain its competitive position in regard to employee compensation levels compared to local markets and other Big 10 universities.
- The University will be able to retain valuable employees and remain competitive in recruiting for employee classifications other than faculty.

Alternatives Considered

This request is the result of an inclusive and comprehensive process for setting priorities consistent with the stated goals of the University's Strategic Positioning activities. The initiatives presented in this request have been identified as critical for the University of Minnesota and the state: improving the University's competitiveness in the world and fostering economic development in the state. The University will continue to improve management efficiencies and will dedicate resources to the operation of facilities, inflationary support costs and selected investments in partnership with the state.

Statutory Change

Not Applicable.

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$8,000	\$8,000	\$8,000	\$8,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$8,000	\$8,000	\$8,000	\$8,000

Request

The University of Minnesota is one of the most comprehensive public universities in the United States and ranks among the most prestigious. The University of Minnesota's undergraduate, graduate, and professional programs provide unparalleled opportunities for learning and prepare the next generation for leadership in the state and around the world. Distinctive educational programs are enhanced by a wealth of other opportunities that only a major research university can offer.

The University of Minnesota is committed to providing access to an exceptional educational experience for qualified students. Currently, many Minnesota students from middle-income families receive little or no grant or scholarship support. To support the new Middle Income Scholarship Program, the University requests \$8.0 million in FY10 and no additional money in FY11.

Background

The proposed University of Minnesota Middle Income Scholarship Program, which would begin in 2009-10, is designed to provide new University scholarship support to students who are Minnesota residents and mostly from families with incomes between \$50,000 and \$100,000.

Scholarships and grants from public and private sources represent one of the most promising means of discounting costs and keeping higher education affordable for students and families. The University has greatly expanded such support for students in the past five years. Currently, more than 20,000 undergraduate students (including reciprocity students) receive scholarships from the University and many others receive federal and state need-based grants. However, there are still many Minnesota students from middle-income families who receive little or no grant or scholarship support. These are the students the new scholarship program is designed to help.

The specific targets for the proposed University of Minnesota Middle Income Scholarship Program are students with an expected family contribution up to \$8,000 more than the highest Pell-eligible level. (The expected family contribution, or EFC, is the amount that a family is expected to contribute to their student's education as determined by a federal financial aid needs analysis. Currently students are eligible for a federal Pell grant if they have an EFC of \$4,731 or less. These are the students supported by the University's Founders Free Tuition Program.) Using formulas in place for the current academic year, the EFC range for a student to be eligible for the new Middle Income Scholarship Program would be \$4,732 to \$12,732. The median family income level for students who would be eligible is about \$80,000.

The scholarship program is projected to provide support for 4,100 undergraduate students annually, who are Minnesota residents. Award amounts from the new program will range from \$4,000 for students from lower middle-income families (e.g., \$50,000) to a minimum of \$500 for students from higher middle-income families (e.g., \$100,000). These award amounts will effectively reduce the resident tuition amount by 40 percent for the lower middle-income students and 5 percent for the higher middle-income students.

The University of Minnesota Middle Income Scholarship Program, together with the University's other scholarship programs, will bring the total number of resident students who receive grant and/or scholarship assistance to more than 16,000. This support will help 65 percent of resident undergraduate students during their first four

years. In order to increase overall student support, the University is asking the state to fund this new middle-income scholarship program, targeted to middle income families. We are requesting a recurring \$8.0 million in the first year of the biennium.

Relationship to Base Budget

Funding the University's initiative requests of \$54.5 million in FY10 and \$32.2 million in FY11 will increase the University's annual recurring general fund appropriations to \$757,192,000 and \$789,392,000 respectively, or \$1,546,584,000 for the biennium. This represents a biennial funding level that is 9.8% higher than the 2008-09 biennial appropriation, and an annual increase in appropriation of 6%.

Key Measures

- Increased overall scholarship support.
- Increased scholarship support for Minnesota undergraduates.
- New scholarship support for middle-income students and their families.

Alternatives Considered

This request is the result of an inclusive and comprehensive process for setting priorities consistent with the stated goals of the University's Strategic Positioning activities. The initiatives presented in this request have been identified as critical for the University of Minnesota and the state: improving the University's competitiveness in the world and fostering economic development in the state. The University will continue to improve management efficiencies and will dedicate resources to the operation of facilities, inflationary support costs and selected investments in partnership with the state.

Statutory Change

Not applicable.

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$10,000	\$20,000	\$20,000	\$20,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$10,000	\$20,000	\$20,000	\$20,000

Request

Minnesota’s state economist, Tom Stinson, argues that investment in research to maintain the state’s competitive position is one of the most critical ingredients to job creation and economic growth. The University, as the state’s only public research university, continues to increase its external research support and the resulting innovation and economic benefits of its more than \$600M research portfolio.

The University’s high-end research laboratories and support services must keep pace with the increased demand for access to their services and the need for the latest state-of-the-art research equipment and the specially trained staff necessary to operate them. To support research enhancements, the University requests \$10.0 million in FY10 and an additional \$10.0 million in FY11.

Background

Research at the University of Minnesota produces pioneering solutions to issues faced by the citizens of Minnesota, the state, and people around the globe. The University of Minnesota receives more than 98 percent of all sponsored research grants awarded to higher education institutions in the state. Researchers at the University brought in more than \$600 million in sponsored research in fiscal year 2007, helped establish more than 30 start-up companies over the last five years, and now holds more than 650 active technology transfer agreements with business and industry. The University leverages the public’s investment in research many times over through job creation and by expanding the state’s tax base. The U.S. Department of Commerce estimates that 39 jobs are created in the state for every \$1 million spent on university-based research in Minnesota.

The University of Minnesota’s research portfolio is robust. Meeting the challenge of continued distinction in research and the resulting benefits for the State of Minnesota takes a sustained, dedicated effort as well as on-going investments. New research is increasingly dependent on more complex and sophisticated research infrastructure (non-capital aspects of institutional resources essential for supporting research programs). The University of Minnesota’s competitive status for research funding, recruitment and retention of top-notch faculty, and the ability to attract the best and brightest students to the state will be greatly enhanced by continued investment in the University’s research infrastructure.

The research enhancement program is targeted for critical system-wide research resource needs. A prime example is the University’s research computing infrastructure. Once primarily the domain of physicists, engineers and computer scientists, high-end computing and the research resources needed to compute contemporary algorithms or to mine extremely large data sets are now the norm in virtually all areas of research, including the biological sciences, genomics and proteomics, environmental informatics, health informatics, agriculture, applied economics, imaging and drug development. This increased demand is evidenced by a tripling of the number of total users of high-end computing facilities in the past ten years. Currently an estimated 3,500 researchers make regular use of these facilities. The facilities will be more heavily used as additional faculty are hired in computationally intensive research areas. The current status of these resources is not compatible with the University’s long-term research vitality.

Additionally, the University’s research computing infrastructure is a resource supporting Minnesota’s private economy and other state colleges and post-secondary schools, with users in Duluth, Morris, Mankato, St. Cloud,

Rochester, Austin, Waseca and St. Peter. These users will also benefit from a renewed investment in the University's computational capabilities.

Research infrastructure investment is also needed to upgrade machine shops and related shop services that support the design, construction and testing of one-of-a-kind pieces of equipment specifically designed to address the unique needs of individual or groups of experimentalists, primarily in the physical sciences. There is also a need to up-grade existing shop equipment to be state-of-the-art in order to manufacture the type of equipment necessary to compete in the 21st century. New investment in the University's shop-support infrastructure is needed in order for the U to take advantage of new opportunities in engineering and the physical sciences that will result from passage of the America COMPETES Act. Federal funding for the physical sciences is expected to increase for the first time in many years and the University must be positioned to compete for Minnesota's share.

Research infrastructure investments will be used to strengthen critical research infrastructure and to continue programmatic initiatives that have been identified as essential to the U's research agenda. A representative example of a programmatic priority that requires continued investment to achieve its full potential is the new Institute on the Environment, which will expand its portfolio to address critical environmental issues of relevance to Minnesota and the nation.

Relationship to Base Budget

Funding the University's initiative requests of \$54.5 million in FY10 and \$32.2 million in FY11 will increase the University's annual recurring general fund appropriations to \$757,192,000 and \$789,392,000 respectively, or \$1,546,584,000 for the biennium. This represents a biennial funding level that is 9.8% higher than the 2008-09 biennial appropriation, and an annual increase in appropriation of 6%.

Key Measures

- Position the University to increase its critical contribution to job creation and economic growth for the State of Minnesota.
- Provide enhanced research infrastructure to allow the University to be highly competitive in attracting and competing for the best faculty nationally.
- Provide research enhancements to allow the University to take advantage of new opportunities in engineering and the physical sciences that will result from passage of the America COMPETES Act.
- Position the University to be more competitive in applying for the expected increase in federal funding for the physical sciences.
- Leverage and multiply the effect of investments in research infrastructure through additional successful competitive research grants.

Alternatives Considered

This request is the result of an inclusive and comprehensive process for setting priorities consistent with the stated goals of the University's Strategic Positioning activities. The initiatives presented in this request have been identified as critical for the University of Minnesota and the state: improving the University's competitiveness in the world and fostering economic development in the state. The University will continue to improve management efficiencies and will dedicate resources to the operation of facilities, inflationary support costs and selected investments in partnership with the state.

Statutory Change

Not applicable.