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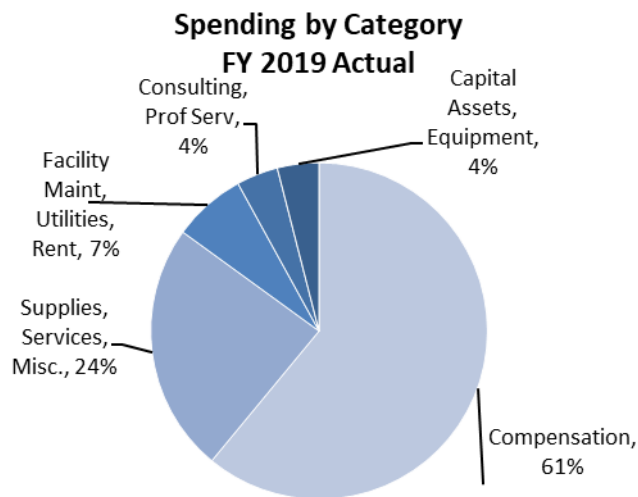
AT A GLANCE

- Five Campuses (Crookston, Duluth, Morris, Rochester, Twin Cities)
- Six Research and Outreach Centers throughout the state
- FY19 Actual Spend: \$3.7 billion
- Faculty & Staff Employee Headcount: 20,643, October 2019
- Graduate Student & Professional-in-Training Employee Headcount: 6,559, October 2019
- Fall 2019 Total Student Enrollment: 67,024
 - Undergraduate: 44,001
 - Graduate: 12,726
 - First Professional: 4,214
 - Non-Degree: 6,083
- Degrees awarded (2018-19 Award Year): 16,238
- Sponsored Research Awards (FY19): \$863.0 million

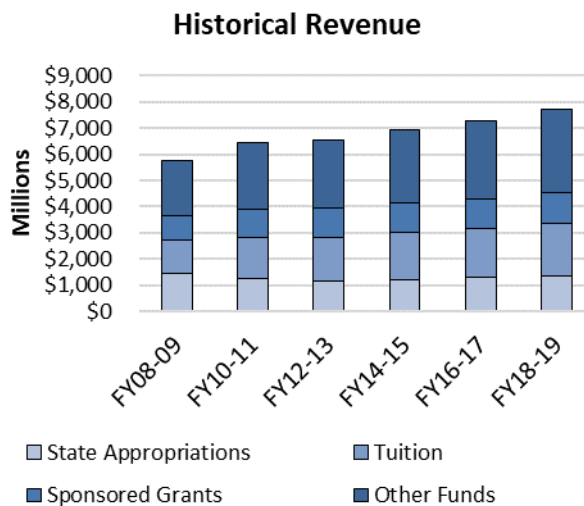
PURPOSE

The University of Minnesota’s 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 service (MN Statute 135A.052). The University’s mission is threefold: research and discovery, teaching and learning, and outreach and public service. The University of Minnesota is the state’s only land grant and research institution and has a unique responsibility to better the lives of Minnesotans. As one of the nation’s top research institutions, the University is an institution where teaching and learning, discovery and innovation, service, outreach, and engagement converge to fuel Minnesota’s economy and improve our quality of life.

BUDGET



Source: University of Minnesota, General Ledger



Source: University of Minnesota, General Ledger

The University’s FY19 \$3.9 billion revenue total is based on support from a variety of sources: tuition (26%), state appropriation (17%), sponsored research grants from federal government and other sources (16%), philanthropy, grants, and contracts (17%), miscellaneous income from sales, fees, etc. (14%), and auxiliary business operations (10%). The University’s budget includes funding for the Crookston, Duluth, Morris, Rochester, and Twin Cities

campuses as well as six research and outreach centers, fifteen regional Extension offices, a multitude of research institutes, and University of Minnesota Extension staff in every Minnesota county. The University uses its State appropriation for all aspects of the University system.

Although the University is dependent on its partnership with the State of Minnesota to continue to succeed, this partnership has changed significantly over the last two decades. As a portion of total revenue, which includes gifts, sales, grants, etc., state appropriation levels for the University of Minnesota dropped from 32% (1996) to 17% (2019). Although the University has continued to serve more students and improve student success, ongoing State operating support for the University has declined since its 2008 peak and as a result, the University has become more dependent on tuition and other revenue sources and has greatly enhanced its efficiency to achieve success.

STRATEGIES

President Joan T.A. Gabel led development of the University of Minnesota Systemwide Strategic Plan, approved by the Board of Regents in June 2020, to better align resources and leverage system strengths - a system including five unique campuses as well as an array of Extension and Outreach centers and services affecting people statewide.

Phase 1 work began in 2016-17 which resulted in the development of the Systemwide Strategic Framework. Systemwide Strategic Priorities were initiated in Phase 2 during 2018-19, while during 2019-2020, Phase 3 involved broad systemwide consultation and presidential charges to system campuses and senior leaders in developing detailed goals and action items.

The plan highlights ways to better connect, leverage, and align the system's distinctive statewide resources and can be found here, <https://president.umn.edu/systemwide-strategic-plan>. Commitment areas include: Student Success; Discovery, Innovation, and Impact; MNtersections; Community and Belonging; and Fiscal Stewardship.

Through these strategic planning efforts, the University will make resource allocation decisions that strengthen student success, enhance knowledge transfer between the University and Minnesota and communities and businesses, build upon research opportunities affecting Minnesotans, and align the University's health sciences work with Minnesota's health policy and workforce needs. The University is committed to providing world-class learning, discovery, and service to improve outcomes for all Minnesotans and the world.

In recent annual operating budgets, the President and the University of Minnesota Board of Regents have focused revenue and spending plans on achieving the goals of access, affordability, academic and operational excellence, and accountability. As examples, the University will capitalize on the following:

- **Crookston Campus:** Known for its focus on experiential learning for its campus-based students, the University of Minnesota Crookston is also one of the nation's pioneers in online and distance education. In Fall 2019, the campus enrolled 2,768 undergraduate and non-degree students.
- **Duluth Campus:** The University of Minnesota Duluth integrates liberal education, research, creative activity, and public engagement to prepare students to thrive as lifelong learners and globally engaged citizens. As a land-grant and sea-grant university, the University of Minnesota Duluth achieves its mission through vibrant and high-quality academic and co-curricular programs; impactful research, scholarship, and creative activities; and service and engagement beyond the confines of the campus. In Fall 2019, the campus enrolled 10,858 undergraduate, graduate, professional, and non-degree students.
- **Morris Campus:** The University of Minnesota Morris is a nationally ranked, undergraduate-focused liberal arts campus with a deep commitment to environmental sustainability and diversity. The "Morris

experience” emphasizes faculty-student collaborative research, study abroad opportunities, and service learning. The campus enrolled 1,499 undergraduate and non-degree students in Fall 2019.

- **Rochester Campus:** The University of Minnesota Rochester offers distinctive health sciences and biosciences education to prepare students for a broad spectrum of current and emerging careers, ranging from patient care to pure and applied research. The campus enrolled 572 undergraduate and non-degree students in Fall 2019.

- **Twin Cities Campus:** The University of Minnesota Twin Cities campus is the University’s flagship campus and is one of only five campuses in the country with schools of engineering, medicine, veterinary medicine, law, and agriculture on a single campus. Because of the Twin Cities campus size and scope of programs, unique opportunities exist for interdisciplinary education, research, and outreach. The campus enrolled 51,327 undergraduate, graduate, professional, and non-degree students in Fall 2019. The Twin Cities campus will continue its excellence in:
 - Education: The Twin Cities campus attracts high caliber students from across the globe due to its world-renowned faculty and staff. In Fall 2019, 82.5 percent of incoming freshman were admitted from the top 25 percent of their class with the average freshman ACT score greater than 28.

 - Research: Includes world class innovation known for life-changing inventions such as the pacemaker, the retractable seat belt, HIV drug Ziagen, cancer therapies, biodegradable plastics, and technologies that advance agricultural production. In the past 10 years, the University has seen record growth in the number of new licenses, research agreements, and invention disclosures. In addition, more than 165 startup companies have been launched based on University research.

 - Outreach: The Twin Cities campus continues its vast array of outreach efforts through initiatives and partnerships such as its mobile dental clinic and the Community-University Health Care Center partnership.

- **Minnesota Extension:** Extension researchers and educators engage individuals and organizations in asking the challenging questions to discover science-based answers. It builds a better future for Minnesotans through University science-based knowledge, expertise, and training. The Extension works in rural, suburban, urban, and tribal communities and serves more than 1 million people through Extension education.

RESULTS

The University’s inspired and motivated community of faculty, staff, and students and its strong sense of purpose drives the focus on continual improvement. To help chart its progress on providing world-class education, research, and public engagement services, the Board of Regents adopted a variety of results-based performance measures in Spring 2016. These are showcased on the University’s Progress Card. The Progress Card helps the Board of Regents focus oversight on a limited number of strategically measurable outcomes (Gold measures), which have quantifiable goals for 2021 related to graduation rates (four-year by campus, six-year by campus, Pell-eligible students systemwide), average freshman ACT on the Twin Cities campus, institutional gift aid, R&D expenditures, Medical School ranking, faculty awards, participation in the employee engagement survey, and progress on the University’s operational excellence goal.

The University has made progress on many of these measures over the last several years, which helps to exemplify the University’s commitment to providing high-value services:

- Graduation rates for a variety of different student groupings have increased over time, resulting in a financial gain for students through lower total spending on tuition/fees/housing/debt and earlier entry into the workforce;
- Twin Cities campus ACT scores have increased indicating the campus is attracting high quality students who have the best chance to succeed academically at the University of Minnesota;
- Institutional gift aid has increased showing an increase in support for students;
- Research and Development (R&D) expenditures have increased indicating the University's continued role in producing high-value research for Minnesota and the world; and
- The University continues to meet its administrative cost reallocation goals, which highlights the University's commitment to administrative efficiency.

The full set of measures can be found at: <https://oir.umn.edu/planning-metrics/progress-card> and will remain in place until a new set of measures fully aligned with the recently approved Systemwide Strategic Plan can be developed. A few current 'gold measure' examples from the Progress Card include:

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Dates</i> |
|------------------------|--|-----------------|----------------|-------------------------|
| Result | 4-year graduation rate of Pell-eligible students | 47.4% | 54.3% | 2012, 2015 |
| Quantity | Institutional gift aid | \$246M | \$276M | 2015-2016, 2018-2019 |
| Quantity | Research and Development expenditures | \$881M | \$955M | FY15, FY18 |

The full Progress Card also provides insight into important trends (Maroon measures), that are a signal of institutional strength. These items are important to monitor, but the University alone cannot significantly influence them. They include measures such as the Twin Cities transfer student 3-year graduation rate, number of graduate and professional degrees awarded, median undergraduate debt at graduation, students of color with a favorable sense of belonging on campus, national research ranking, among others.

The University also publishes annually the "University Plan, Performance, and Accountability Report" (<https://conservancy.umn.edu/handle/11299/174174>), which reflects the institution's progress against its key strategic goals and identifies areas for improvement. This report is required under the University's charter, 1851 Territorial Laws, Chapter 3, Section 16, where it states that "[the regents shall] make a report annually, to the Legislature...exhibiting the state and progress of the University...and such other information as they may deem proper, or may from time to time be required of them." Finally, this Report, along with the university Progress Card, is currently being reviewed to ensure complete alignment with the current strategic framework.

Minnesota Statutes 137 (<https://www.revisor.mn.gov/statutes/cite/137>) provides the legal authority for the University of Minnesota.

(Dollars in Thousands)

| | Actual FY18 | Actual FY19 | Actual FY20 | Estimate FY21 | Forecast Base | | Governor's Recommendation | |
|--|----------------|----------------|----------------|------------------|----------------|----------------|------------------------------|----------------|
| | | | | | FY22 | FY23 | FY22 | FY23 |
| <u>Expenditures by Fund</u> | | | | | | | | |
| 1000 - General | 661,186 | 648,636 | 669,666 | 671,406 | 671,406 | 671,406 | 686,906 | 702,406 |
| 2000 - Restrict Misc Special Revenue | 22,367 | 22,365 | 22,357 | 22,372 | 22,366 | 22,366 | 22,366 | 22,366 |
| 2018 - Agriculture | 250 | 250 | | | | | | |
| 2050 - Environment & Natural Resources | 23,376 | 10,340 | 13,057 | 28,807 | | | | |
| 2301 - Arts & Cultural Heritage | | | 50 | 43 | 7 | | 7 | |
| 2302 - Clean Water | 1,008 | 1,007 | 1,000 | 1,000 | | | 1,220 | 1,220 |
| 2360 - Health Care Access | 2,157 | 2,157 | 2,157 | 2,157 | 2,157 | 2,157 | 2,157 | 2,157 |
| 6000 - Miscellaneous Agency | 430 | 3,660 | 2,404 | 1,684 | 3,189 | 564 | 3,189 | 564 |
| Total | 710,774 | 688,416 | 710,691 | 727,469 | 699,125 | 696,493 | 715,845 | 728,713 |
| Biennial Change | | | | 38,971 | | (42,542) | | 6,398 |
| Biennial % Change | | | | 3 | | (3) | | 0 |
| Governor's Change from Base | | | | | | | | 48,940 |
| Governor's % Change from Base | | | | | | | | 4 |

Expenditures by Program

| | | | | | | | | |
|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Permanent University Fund | 430 | 3,660 | 2,404 | 1,684 | 3,189 | 564 | 3,189 | 564 |
| Maintenance and Operations | 590,248 | 580,198 | 601,228 | 602,968 | 602,968 | 602,968 | 618,468 | 633,968 |
| Agriculture Special | 42,922 | 42,922 | 42,922 | 42,922 | 42,922 | 42,922 | 42,922 | 42,922 |
| Health Science Special | 33,611 | 33,611 | 33,611 | 33,611 | 33,611 | 33,611 | 33,611 | 33,611 |
| Technology Special | 1,140 | 1,140 | 1,140 | 1,140 | 1,140 | 1,140 | 1,140 | 1,140 |
| System Specials | 7,181 | 7,181 | 7,181 | 7,181 | 7,181 | 7,181 | 7,181 | 7,181 |
| LCMR/MN Resources | 24,634 | 11,597 | 14,057 | 29,807 | | | 1,220 | 1,220 |
| Special Projects | 2,617 | 115 | 157 | 165 | 123 | 116 | 123 | 116 |
| U/Mayo Partnership | 7,991 | 7,991 | 7,991 | 7,991 | 7,991 | 7,991 | 7,991 | 7,991 |
| Total | 710,774 | 688,416 | 710,691 | 727,469 | 699,125 | 696,493 | 715,845 | 728,713 |

Expenditures by Category

| | | | | | | | | |
|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Operating Expenses | 19,557 | 19,557 | 19,557 | 17,400 | 17,400 | 17,400 | 17,400 | 17,400 |
| Grants, Aids and Subsidies | 691,217 | 668,859 | 691,134 | 710,069 | 681,725 | 679,093 | 698,445 | 711,313 |
| Total | 710,774 | 688,416 | 710,691 | 727,469 | 699,125 | 696,493 | 715,845 | 728,713 |

(Dollars in Thousands)

| | Actual FY18 | Actual FY19 | Actual FY20 | Estimate FY21 | Forecast Base | | Governor's Recommendation | |
|-----------------------------------|----------------|----------------|----------------|------------------|----------------|----------------|------------------------------|----------------|
| | | | | | FY22 | FY23 | FY22 | FY23 |
| 1000 - General | | | | | | | | |
| Direct Appropriation | 658,686 | 648,636 | 669,666 | 671,406 | 671,406 | 671,406 | 686,906 | 702,406 |
| Transfers In | 19,900 | 17,400 | 17,400 | 17,400 | 17,400 | 17,400 | 17,400 | 17,400 |
| Transfers Out | 17,400 | 17,400 | 17,400 | 17,400 | 17,400 | 17,400 | 17,400 | 17,400 |
| Expenditures | 661,186 | 648,636 | 669,666 | 671,406 | 671,406 | 671,406 | 686,906 | 702,406 |
| Biennial Change in Expenditures | | | | 31,250 | | 1,740 | | 48,240 |
| Biennial % Change in Expenditures | | | | 2 | | 0 | | 4 |
| Governor's Change from Base | | | | | | | | 46,500 |
| Governor's % Change from Base | | | | | | | | 3 |

2000 - Restrict Misc Special Revenue

| | | | | | | | | |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Balance Forward In | 1 | 14 | 14 | 6 | | | | |
| Direct Appropriation | 22,250 | 22,250 | 22,250 | 22,250 | 22,250 | 22,250 | 22,250 | 22,250 |
| Transfers In | 130 | 115 | 99 | 116 | 116 | 116 | 116 | 116 |
| Balance Forward Out | 14 | 14 | 6 | | | | | |
| Expenditures | 22,367 | 22,365 | 22,357 | 22,372 | 22,366 | 22,366 | 22,366 | 22,366 |
| Biennial Change in Expenditures | | | | (3) | | 3 | | 3 |
| Biennial % Change in Expenditures | | | | (0) | | 0 | | 0 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |

2018 - Agriculture

| | | | | | | | | |
|-----------------------------------|------------|------------|--|-------|--|---|--|---|
| Transfers In | 250 | 250 | | | | | | |
| Expenditures | 250 | 250 | | | | | | |
| Biennial Change in Expenditures | | | | (500) | | 0 | | 0 |
| Biennial % Change in Expenditures | | | | (100) | | | | |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | |

2050 - Environment & Natural Resources

| | | | | | | | | |
|----------------------|--------|--------|--------|--------|--|--|--|--|
| Balance Forward In | 17,069 | 17,821 | 22,386 | 28,807 | | | | |
| Direct Appropriation | 9,071 | 14,975 | 19,150 | | | | | |
| Transfers In | | 149 | 330 | | | | | |
| Transfers Out | | 149 | | | | | | |

(Dollars in Thousands)

| | Actual | Actual | Actual | Estimate | Forecast Base | | Governor's Recommendation | |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|----------|---------------------------|----------|
| | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY22 | FY23 |
| Cancellations | | 0 | 0 | | | | | |
| Balance Forward Out | 2,764 | 22,456 | 28,809 | | | | | |
| Expenditures | 23,376 | 10,340 | 13,057 | 28,807 | | | | |
| Biennial Change in Expenditures | | | | 8,148 | | (41,864) | | (41,864) |
| Biennial % Change in Expenditures | | | | 24 | | (100) | | (100) |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | |

2301 - Arts & Cultural Heritage

| | | | | | | | | |
|-----------------------------------|--|--|-----------|-----------|----------|------|----------|------|
| Balance Forward In | | | | | 7 | | 7 | |
| Direct Appropriation | | | 50 | 50 | 0 | 0 | 0 | 0 |
| Transfers In | | | | | 7 | | 7 | |
| Transfers Out | | | | | 7 | | 7 | |
| Balance Forward Out | | | | 7 | | | | |
| Expenditures | | | 50 | 43 | 7 | | 7 | |
| Biennial Change in Expenditures | | | | 93 | | (86) | | (86) |
| Biennial % Change in Expenditures | | | | | | (92) | | (92) |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | |

2302 - Clean Water

| | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|---|---------|--------------|--------------|
| Direct Appropriation | 1,008 | 1,007 | 1,000 | 1,000 | 0 | 0 | 1,220 | 1,220 |
| Expenditures | 1,008 | 1,007 | 1,000 | 1,000 | | | 1,220 | 1,220 |
| Biennial Change in Expenditures | | | | (15) | | (2,000) | | 440 |
| Biennial % Change in Expenditures | | | | (1) | | (100) | | 22 |
| Governor's Change from Base | | | | | | | | 2,440 |
| Governor's % Change from Base | | | | | | | | |

2360 - Health Care Access

| | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Direct Appropriation | 2,157 | 2,157 | 2,157 | 2,157 | 2,157 | 2,157 | 2,157 | 2,157 |
| Expenditures | 2,157 | 2,157 | 2,157 | 2,157 | 2,157 | 2,157 | 2,157 | 2,157 |
| Biennial Change in Expenditures | | | | 0 | | 0 | | 0 |
| Biennial % Change in Expenditures | | | | 0 | | 0 | | 0 |

(Dollars in Thousands)

| | Actual | Actual | Actual | Estimate | Forecast Base | | Governor's Recommendation | |
|-------------------------------|--------|--------|--------|----------|---------------|------|---------------------------|------|
| | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY22 | FY23 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |

6000 - Miscellaneous Agency

| | | | | | | | | |
|-----------------------------------|------------|--------------|--------------|--------------|--------------|------------|--------------|------------|
| Transfers In | 430 | 3,660 | 2,404 | 1,684 | 3,189 | 564 | 3,189 | 564 |
| Expenditures | 430 | 3,660 | 2,404 | 1,684 | 3,189 | 564 | 3,189 | 564 |
| Biennial Change in Expenditures | | | | (2) | | (335) | | (335) |
| Biennial % Change in Expenditures | | | | (0) | | (8) | | (8) |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |

(Dollars in Thousands)

| | FY21 | FY22 | FY23 | Biennium 2022-23 |
|--|----------------|----------------|----------------|---------------------|
| Direct | | | | |
| Fund: 1000 - General | | | | |
| FY2021 Appropriations | 671,406 | 671,406 | 671,406 | 1,342,812 |
| Forecast Base | 671,406 | 671,406 | 671,406 | 1,342,812 |
| Change Items | | | | |
| Safeguarding the UMN Mission through World Class Human Talent, Quality Innovation, and Discovery | | 15,500 | 31,000 | 46,500 |
| Total Governor's Recommendations | 671,406 | 686,906 | 702,406 | 1,389,312 |
| Fund: 2000 - Restrict Misc Special Revenue | | | | |
| FY2021 Appropriations | 22,250 | 22,250 | 22,250 | 44,500 |
| Forecast Base | 22,250 | 22,250 | 22,250 | 44,500 |
| Total Governor's Recommendations | 22,250 | 22,250 | 22,250 | 44,500 |
| Fund: 2301 - Arts & Cultural Heritage | | | | |
| FY2021 Appropriations | 50 | 50 | 50 | 100 |
| Base Adjustments | | | | |
| One-Time Legacy Fund Appropriations | | (50) | (50) | (100) |
| Forecast Base | 50 | 0 | 0 | 0 |
| Total Governor's Recommendations | 50 | 0 | 0 | 0 |
| Fund: 2302 - Clean Water | | | | |
| FY2021 Appropriations | 1,000 | 1,000 | 1,000 | 2,000 |
| Base Adjustments | | | | |
| One-Time Legacy Fund Appropriations | | (1,000) | (1,000) | (2,000) |
| Forecast Base | 1,000 | 0 | 0 | 0 |
| Change Items | | | | |
| Clean Water Fund - County Geologic Atlas Part A | | 450 | 450 | 900 |
| Clean Water Fund - Stormwater Research and Technology Transfer Program | | 675 | 675 | 1,350 |
| Clean Water Fund - Quantifying the Multiple Benefits of Clean Water Investments | | 95 | 95 | 190 |
| Total Governor's Recommendations | 1,000 | 1,220 | 1,220 | 2,440 |
| Fund: 2360 - Health Care Access | | | | |
| FY2021 Appropriations | 2,157 | 2,157 | 2,157 | 4,314 |
| Forecast Base | 2,157 | 2,157 | 2,157 | 4,314 |
| Total Governor's Recommendations | 2,157 | 2,157 | 2,157 | 4,314 |
| Dedicated | | | | |
| Fund: 2000 - Restrict Misc Special Revenue | | | | |

(Dollars in Thousands)

| | FY21 | FY22 | FY23 | Biennium 2022-23 |
|---|------------|------------|------------|---------------------|
| Planned Spending | 122 | 116 | 116 | 232 |
| Forecast Base | 122 | 116 | 116 | 232 |
| Total Governor's Recommendations | 122 | 116 | 116 | 232 |

Change Item Title: Safeguarding the University of Minnesota mission through world class human talent, quality innovations, and cutting-edge discovery.

| Fiscal Impact (\$000s) | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|--|----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | 15,500 | 31,000 | 31,000 | 31,000 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 15,500 | 31,000 | 31,000 | 31,000 |
| FTEs | 0 | 0 | 0 | 0 |

Recommendation:

The Governor recommends a \$46.5 million increase to its Operations and Maintenance (O&M) general fund appropriation in Fiscal Year (FY) 2022-23 and \$62 million increase in FY 2024-25 to successfully address its most pressing strategic needs. This includes retaining world class faculty and employees, managing quality facility and classroom environments, ensuring regulatory compliance, and strategically investing in targeted program enhancements. This change item represents a two percent per year increase from the University’s FY 2021 general fund appropriation and comprises 0.3 percent of the University’s FY 2021 estimated total revenue.

Rationale/Background:

The FY 2021 operating budget for the University of Minnesota projects annual revenue at \$4.2 billion. Within this all funds total, 34% represents revenues restricted by external sources that cannot be used by University leadership to fund general operations. Sales and revenue generating activities account for 27% of total estimated revenue and are largely used to fund direct costs for those goods or services. Examples include University bookstores, campus parking, educational sales, and course fees. These sources are also rarely available to cover general operations. The remaining 39% is the Operations and Maintenance (O&M) state appropriation as well as tuition. These are unrestricted resources and support a wide range of general operational costs across the research, education, outreach, and public service mission. These general operating revenues grow only if the University of Minnesota Board of Regents decides to increase tuition rates or the State of Minnesota increases the University O&M appropriation.

Due to challenging fiscal environments students and families face under the COVID-19 Pandemic, the University held FY 2021 undergraduate and graduate tuition rates, along with most professional tuition amounts, flat. To hold FY 2021 expenses down, the University implemented employee hiring freezes, a 10% pay reduction for senior leaders, and a systemwide furlough and pay reduction program which impacted over 40% of all University employees. Additionally, the University implemented internal budget expense reductions and reallocations to help sustain the year.

According to the Consumer Price Index (June) general operating costs, including healthcare, facility and IT costs, library materials, equipment, continue to grow with inflation at 0.6%. The Higher Education Price index (HEPI) is an inflation index issued by the Commonfund Institute to track main cost drivers and funding increases for higher education managers. Viewed as a more accurate indicator of changes in costs for colleges and universities than the more familiar Consumer Price Index, HEPI estimates operational cost inflation at 2.2% for 2020.

If tuition revenue is significantly constrained and the state appropriation remains flat or decreases, internal reallocations needed to address university cost increases and needs can reach a magnitude that would require extremely difficult choices, including:

1. Raising student tuition rates at or above inflation to maintain the current scope of quality programs
2. Reducing the breadth and depth of the University impact while maintaining quality, or
3. Maintaining the current University scope while sacrificing quality in some areas.

Key variables in evaluating those choices include the following:

- **Excellence:** The University of Minnesota's top priority is its excellence in education, research, and outreach. This drive is apparent from consistent progress made on key institutional metrics, found at: <https://oir.umn.edu/planning-metrics/progress-card>. Main components in generating high-level results include recruiting and retaining world class faculty and staff, supporting equipment and facility needs for instruction, and promoting world class research activities across all five campuses. To maintain the current scope of activities, personnel inflationary costs (e.g. health care benefits) and infrastructure needs must be annually addressed.
- **Commitment to Controlling Costs:** Over the past six years, University approved budgets incorporated planned cost reductions (i.e. reallocations) totaling \$126 million to fund cost increases across the University system. Roughly 70% of implemented reductions each year involved eliminating or restructuring positions. From the remaining, numerous reductions involved deliberate decisions to reduce supplies, travel, development opportunities, equipment replacements, and other operational items. This does not include additional budget reduction actions taken in FYs 2020 and 2021 from response to the COVID-19 Pandemic and reduced University operations. Although the University will continue to utilize reallocations as a key budget balancing tool, it cannot solely rely on it to balance annual budgets without sizeable impacts to operational scope or quality.
- **Infrastructure and Compliance Cost Pressures:** The University continues to experience multi-million-dollar annual cost increases in utility services, debt services, technology license and maintenance agreements, laboratory supplies, health and safety improvements, student and employee accommodations, and library collections and subscription prices which must be addressed.

Proposal:

The Governor recommends a \$15.5 million increase to the University of Minnesota's base O&M appropriation in FY 2022 and an incremental \$15.5 million increase in FY 2023 to maintain world-class excellence across its current scope of programs. This is consistent with the priorities of the University of Minnesota Board of Regents as elected by the Minnesota Legislature. This appropriation increase will be utilized in conjunction with continued annual internal reallocations as well as potential increases in some tuition rates.

The University's allocation of budget resources will be determined through its internal annual budget process led by President Joan T.A. Gabel, academic leadership, and ultimately approved by the Board of Regents. Pressing priority areas will include core budgetary needs such as student support and services, competitive faculty and staff compensation, health care benefits, classroom and equipment maintenance, federal and state regulation compliance, research and technology infrastructure, and core facility maintenance.

In addition, the \$15.5 million per year increase will provide the University with dedicated funding for initiatives outlined in the newly approved system-wide strategic plan. These initiatives are designed around a long-term view of University strengths and pressing State of Minnesota needs, including:

- **Next Generation Health:** Responds to the recent seismic shift in health care delivery and education from the global pandemic. It redesigns the university healthcare delivery system for Minnesotan patients and providers; strengthens cutting edge research and clinical trials; improves the quality care continuum; launches an innovative undergraduate health education program focused on student diversity and equity.
- **A Fully Sustainable Future:** Drives transformative change which strengthens current university carbon neutrality efforts as well as creates the University Integrated Sustainability Fund - a new grant mechanism

set to provide financial support for community led research; on-campus demonstration projects; discovery and innovation; technology entrepreneurship and business incubation; creates the Minnesota Sustainability Student Fellowship program.

- **Natural Resources and Agro-Food Systems:** Works to safeguard Minnesota's diverse and abundant natural resources by strategically investing in research personnel who will drive natural resource based bio economy product and process innovations; educates tomorrow's natural resource leaders; leverages and expands public and private partnerships and funds.

This recommendation will not eliminate difficult choices in balancing the University budget, nor curb University pursuit of increased efficiencies in performance. However, it will significantly alleviate the need for higher tuition increases for students and help deliver on our commitment to provide a world class education, research, and outreach experience for all Minnesotans.

Equity and Inclusion:

The University of Minnesota acknowledges systemic change is necessary and requires action at all levels of the institution. This acknowledgement informs strategic priorities and how the institution works to advocate for and support underrepresented students, faculty, and staff. The University's commitment to equity and diversity is prioritized in the President's Systemwide Strategic Plan and reflected in our priorities. For example, the Office for Equity and Diversity (OED) focuses on three strategic priorities aimed to effect change throughout the institution:

1. **Increasing Representational Diversity:** The OED provide resources, education, and equitable processes to support recruitment and retention of underrepresented students, staff, and faculty, including student support and retention programs such as the Circle of Indigenous Nations, the Louis Stokes North Star STEM Alliance, the Multicultural Center for Academic Excellence, the Women's Center, the Gender and Sexuality Center for Queer and Trans Life, the Scholarly Excellence in Equity and Diversity Award, the Shakopee Mdewakanton Sioux Community Endowed Scholarship, and the Puckett Scholarship.

The President's Emerging Scholars (PES) is an educational opportunity program that supports high-achieving, historically underserved students in their pursuit of a bachelor's degree at the University of Minnesota, Twin Cities. Its mission is to ensure timely participant graduation by encouraging and supporting academic, career, and personal wellbeing through scholarships, programming, professional advising, and peer mentoring. In addition to these student supports, financial aid in the form of two \$1,000 scholarships, is provided to each student. PES enrolls approximately 550 freshmen each year and provides four years of academic student support. There are approximately 2,000 PES students on the Twin Cities Campus, many of whom are first in their family to attend college, indigenous students, older students, rural students, student parents, students for whom English is not their first language, students of color, and students with disabilities.

The University Offices of Undergraduate Education, Student Affairs, and OED created a Multicultural Student Success Committee which coordinates support for students of color, American Indian students, and first-generation students. Focus continues toward improving retention and graduate rate outcomes for students of color, first generation, and Pell eligible students. Over the past decade, significant progress has been made in closing these achievement and opportunity gaps. For example, first-year retention rates for students of color and white students on the Twin Cities campus are now essentially equal and gaps in graduation rates have been reduced. In Fall 2019 first year retention rates for students of color increased or stayed relatively steady for several University regional campuses.

The University is also committed to recruiting and retaining faculty from underrepresented groups. Through collaborative efforts of the Offices of the Provost, the Vice Provost for Faculty and Academic Affairs, OED, Human Resources, and Institutional Research the University is institutionalizing best practices for recruiting, hiring, and retaining faculty from underrepresented groups. Additionally, the Diversity Community of Practice (DCoP) is a grassroots faculty and staff community across the Twin Cities campus who leverage their expertise to ensure equity and diversity goal implementation.

- 2. Improving Campus Climate:** Improving campus climate and ensuring that community members feel valued and respected is a focus at the institution. To address climate, the OED creates programs, engagement opportunities, and capacity-building initiatives aimed to effect positive culture and climate change, some including OED Education Program workshops for faculty and staff as well as an Equity and Diversity Certificate Program for faculty, staff, and students. Through the Bias Response Referral Network, OED receives, tracks, and refer reports of bias incidents to appropriate campus offices set to effectively respond through proper investigation, educational coaching, or other resources.

In August 2020, President Gabel tasked Dr. Cedric L. Alexander, a noted academic and civic leader, to assess the public safety landscape of the Twin Cities campus through several lenses, including security best practices, impacts of race, social justice, training and policing, and policymaking.

The University fully acknowledges University of Minnesota campuses are on traditional homelands of Indigenous people. Beyond acknowledgment, Senior Director of Tribal Nations Relations Tadd M. Johnson leads efforts to increase engagement with the eleven sovereign tribal Nations of Minnesota.

- 3. Building, Supporting, and Aligning partnerships:** As systemic change requires partnership and collaboration, the University focuses on building, supporting, and aligning partnerships across the University system. The OED works with University and community partners to identify, implement, and sustain efforts to advance diversity, equity, and inclusion across the University system. By working together, the OED can better leverage strengths and capabilities across the large complex system and community, leading to sustainable efforts that improve outcomes for students, staff, faculty, and community members.

Results:

Funding this request will result in direct benefits to students, researchers, and communities statewide:

- Reduce financial barriers to student achievement
- Increase discovery, innovation, and technology commercialization
- Prioritize student research opportunities and advance workforce outcomes
- Recruit and retain diverse students, faculty, and staff
- Increase efficiency in all aspects of operations

Change Item Title: County Geologic Atlas Part A

| Fiscal Impact (\$000s) | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|--|----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds - Clean Water Fund | | | | |
| Expenditures | 450 | 450 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 450 | 450 | 0 | 0 |
| FTEs | 0 | 0 | 0 | 0 |

Recommendation:

In alignment with the Clean Water Council’s FY 2022-2023 recommendations, the University of Minnesota would apply \$900,000 to its County Geologic Atlas appropriation (E819CGA) in FY22-23 to continue comprehensive geologic mapping required for managing water and mineral resources.

Rationale/Background:

Geologic atlases provide maps and databases that are essential for improved ground and surface water management. This foundational data supports drinking water management, domestic and industrial supply, irrigation, and aquatic habitats. County geologic atlases are specifically identified as essential data in designing a sustainable water management process in the Statewide Conservation Plan as well as in the efforts of the Environmental Quality Board, Minnesota Department of Natural Resources (DNR) Eco-Waters, and the Water Resources Center at the University of Minnesota. Distribution of geologic materials define aquifer boundaries. The connection of aquifers to land surface and surface water resources enable a comprehensive water management effort.

Proposal:

To date, these Clean Water Fund (CWF) resources helped produce atlases in 16 counties: Houston, Winona, Brown, Redwood, Washington, Isanti, Wadena, Cass, Hennepin, Dodge and Olmsted. Atlases that are in-production with CWF support include: St. Louis, Lake, Dakota, Red Lake, and Lake of the Woods. The cost to complete an atlas is approximately \$400,000. This FY22-23 biennial request will continue this work by either completing one, or more, of the atlases currently in production or used to develop an atlas in one of the 21 Minnesota counties the project has yet to begin. All early non-digital atlases have been revised except in Ramsey County, which is planned for update in calendar year 2021. With five atlases typically started each year, the current pace will track atlas completed across the entire state by 2029. The program annual budget is approximately \$2 million, with its majority from the Environment and Natural Resources Trust Fund. Per Minnesota Statute 114D.50 Subdivision 3, this proposal will supplement previous project funding.

Equity and Inclusion:

The program objective is to ensure every Minnesota county will have an atlas as reasonably possible so every Minnesota resident can enjoy similar drinking water protection standards as well as ongoing maintenance of this information infrastructure.

Results:

Atlases are complete for 45 counties and of these, 5 have been revised and 2 revisions are underway. Using resources primarily from the Clean Water Fund and the Environment and Natural Resources Trust Fund, there are 21 new atlases underway; 21 counties have not yet been started. With a completion rate of approximately 5 per year and approximately 40 are partially complete or not yet started, at the current pace, statewide coverage would be achieved in about a decade.

Change Item Title: Stormwater Research & Technology Transfer Program

| Fiscal Impact (\$000s) | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|--|----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds – Clean Water Fund | | | | |
| Expenditures | 675 | 675 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 675 | 675 | 0 | 0 |
| FTEs | 0 | 0 | 0 | 0 |

Recommendation:

In alignment with the Clean Water Council’s FY 2022-2023 recommendations, the University of Minnesota would apply \$1,350,000 to its Stormwater Performance Evaluation appropriation (E819SBP) in FY22-23 to continue funding for the Urban Stormwater Research & Technology Transfer Program. The program conducts urban stormwater research to meet pressing Minnesota community needs as well as provides training, technology transfers, outreach, and education through the University of Minnesota Extension.

Rationale/Background:

Investments in urban stormwater research provides resources that improve stormwater management, enhance operations of practice, increase policy efficiencies that protect, restore, and minimize runoff and pollutant impacts from the built urban landscape, and respond to high priority needs across Minnesota communities, professionals, and policymakers. Applied research also supports efficient and successful implementation of best management practices as well as aids in discovering new practices and methods to increase tool functionality used heavily and frequently across the state. Continuing to invest in research brings the opportunity to ensure the 'best' is achieved in the best management practice (BMP) paradigm. Investing a portion of the program in technology transfer also ensures discoveries are shared with those in Minnesota that can most benefit from them and that effective outreach, training, and resources are provided to incorporate this new science into decision making.

Proposal:

Outcomes from this funding proposal will be new and revised urban stormwater management practices and policies that protect and improve the health of Minnesota waters as well as mitigate and minimize the impacts to Minnesota water from urban runoff. The outcome of completed research is paired with the transfer of new knowledge to practitioners, policymakers, and professionals and incorporation of this work and new discoveries into stormwater management guidance policies and manuals such as the Minnesota Stormwater Manual. Outputs (measurements) for research include final reports, data, tools, models, formulas, revised design, installation, and operation and management guidelines. Outputs from technology transfer include training guides, the number of professionals, policymakers, and practitioners engaged and trained and the impact to their knowledge, skills, and adoption of use. Per Minnesota Statute 114D.50 Subdivision 3, this proposal will supplement previous project funding and will be coordinated by the University of Minnesota Water Resources Center (WRC) to fund qualified urban stormwater research projects chosen through a competitive, highly scientific and Minnesota applicable review process.

Equity and Inclusion:

Diversity, inclusion, and equity are central aspects of the prioritization, selection, and oversight of funded projects. The WRC follows the University of Minnesota's diversity and inclusion practices to ensure equitable and inclusive selection of project teams. Further, reaching underrepresented groups is a pillar of research and technology transfer activities. A current funded project is examining the factors motivating community engagement in ethnically diverse neighborhoods.

Results:

Expected results of this investment will be the completion of research on high priority urban stormwater management practices and policies that will influence the activities and work of professionals, practitioners and policy makers serving across Minnesota's cities, counties, watersheds, state agencies and private enterprises. It is expected at least ten, if not more, specific research projects will be completed using these funds. Research teams will include dozens of researchers and professionals from across the University system and other academic institutions, private businesses, and local units of government. This investment would also result in effective technology transfer of the results to those across the state that can most benefit from it. These efforts include supporting Extension Education, training and certification programs, and other outreach opportunities that will put the research results into practice. Ultimately, the outcome will be enhanced and more effective application of best management practices and policies that will prevent, minimize and mitigate the negative impacts of urban stormwater runoff to Minnesota's surface and groundwater resources.

Change Item Title: Quantifying Clean Water Investment Benefits

| Fiscal Impact (\$000s) | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|--|----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds -Clean Water Fund | | | | |
| Expenditures | 95 | 95 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 95 | 95 | 0 | 0 |
| FTEs | 0 | 0 | 0 | 0 |

Recommendation:

In alignment with the Clean Water Council’s FY 2022-2023 recommendations, the University of Minnesota would apply \$190,000 to its Clean Water ROI appropriation (E817CWR) in FY22-23 to expand collaborative research in measuring the return and benefits of Clean Water Fund (CWF) investments.

Rationale/Background:

The University of Minnesota has partnered with the Clean Water Council (CWC) to better showcase public benefits of Clean Water Fund investments, as well as equip the Council with tools necessary to make strategic investments. With this, the University proposes five action items designed to fill key knowledge gaps that pose barriers to both strategic investments and tailored public communications around the benefits of the Clean Water Fund.

1. Visualize the co-benefits of clean water investments by watershed, including drinking water protection, recreation, wildlife, and carbon sequestration through a web-based tool.
2. Analyze the distribution of clean water investments to understand how CWC funds can enhance equity in the provision of clean water benefits and better address historic disparities in access to clean, safe drinking water.
3. Assess the Impacts of climate change on water resources, including a report and fact sheet on the climate resiliency of different BMPs and land management strategies designed to protect drinking water.
4. Estimate the potential costs of achieving each of the state’s water quality goals (meeting Gulf of Mexico hypoxia nutrient reduction targets, ensuring safe drinking water, protecting culturally important water bodies, etc.) to set public expectations through the expiration of the Legacy Amendment.
5. Assist agencies with incorporation of climate change considerations and drinking water planning into development of One Watershed One Plan/comprehensive watershed management plans, using engagement, analysis, surveys, focus groups, and participatory budgeting exercises.

This funding request will support the following outcomes: an updated web platform that visualizes the multiple benefits of CWF investments; reports on equitable distribution of clean water benefits and climate resiliency of management practices designed to restore and protect clean water; cost projections for achieving clean water objectives; and stakeholder engagement via One Watershed One plan processes and citizen outreach. Past project funding resulted in a statewide survey of water values, downscaled climate projections, maps and datasets designed to quantify clean water benefits, and a memo on best practices for monitoring, planning, and implementation.

Proposal:

The proposed activities will assist the state in tracking progress, evaluating outcomes, and promoting transparency in CWF investments. The proposal would fund public engagement and stakeholder collaboration at the watershed-level to support agency-led “One Watershed One Plan” processes, build capacity to maximize co-benefits of public investments in clean water, and set realistic targets for CWF investments. These activities respond to gaps identified by the CWC and partners in collaboration with the UofM that will improve the efficacy, efficiency, and long-term viability of clean water funding. Per Minnesota Statute 114D.50 Subdivision 3, this proposal will supplement previous project funding and will be used to fund University research staff and students focused on this project.

Equity and Inclusion:

The benefits of clean water are not equally distributed in our state. Communities of color, native communities, and rural populations are more likely to experience water shortages, contaminated drinking water, unsafe recreational opportunities, unsafe levels of fish consumption, and higher water prices. In phase I of the project, social and demographic data was included in their analysis of co-benefits to visualize the distribution of water benefits and costs statewide. The researchers will continue to prioritize communication and evaluation of the equity implications of water investments in their work, including engagement that seeks to elevate underrepresented voices in water decision-making statewide.

Results:

With previous funding, completed activities include:

- 1) A statewide survey of public values and preferences for clean water designed to understand what types of clean water benefits are the most highly valued by Minnesotans.
- 2) Development of spatially explicit ecosystem service metrics that reflect the multiple co-benefits of investments in improved water quality
- 3) Downscaled climate projections, maps and datasets designed to quantify clean water benefits
- 4) Creation of monitoring, planning, and implementation best practices.

For FY2022-23 funding, the University of Minnesota team will produce two additional work products; a web platform that visualizes the benefits of Clean Water Fund investments across multiple social, biophysical, and economic metrics, and a report on the equitable distribution of clean waters benefits in partnership with the Clean Water Council and key stakeholders.