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Finance Committee

Campus Governance

2-6-2020

Finance minutes 02/06/2020

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UMM FINANCE COMMITTEE MINUTES

2-6-20

Members Present: Brad Deane, Roger Rose, Jon Anderson, Mary Elizabeth Bezanson, Michael Korth, Naomi Skulan, Maddie Happ, Arne Kildegaard, Angela Hume, Bryan Herrmann

Others Present: Jessica Broekemeier, Melissa Wrobleski, Brian Burnett

Members Absent: Angela Anderson, Marie Hagen, David Ayers-Moran

Agenda:

I. Approval of Minutes

Jon asked for clarification on what Bryan Herrmann said on page 4 of the minutes. He wondered what analysis Bryan referred to when saying Morris should be doing better for an institution our size and with our ACT score. Jon noted that there have been reports he has seen that show us slightly above average. Brad added that this can be a topic that can be revisited at some point in future meetings.

II. Presentation from Brian Burnett

Brian Burnett gave a presentation on “Green” money. He noted that this means that the University’s money is not equal in ways to use the funds. There are restricted funds, self-supporting funds, and unrestricted funds. Restricted money includes endowments and can only be used how it was designated to be used. Self-supporting funds include auxiliaries (bookstore, ORL, dining) that run like a business to support the academic mission. Unrestricted funds includes O&M and Tuition, which can be used on anything lawful. Arne mentioned that in the 90’s, he believed some auxiliary money was scooped and noted that it was not illegal. Brian said it is not illegal, but is also not a good practice.

Brian said that the U of M receives about \$600 million from O&M and generates close to \$1 billion in tuition before any waivers. He noted that 20% of the University’s money is restricted, 15% is sponsored, and auxiliaries make up about 10%. ICR’s are about 14% of revenue, which is slightly higher than other universities who don’t have the research facilities that the U of M does.

Brian reviewed a chart showing that Minnesota was in the top 10 for state spending on higher education for almost 30 years. Tuition was low at this time with the state being a large investor. Now, Minnesota is in the around the top 15, and it will be tough for the state to move up with other costs such as healthcare needing funds. Brian questioned how we get back to the 2/3 state to 1/3 student ratio, and noted that that would be about \$1 billion from the state. The current amount the U of M receives from the state is \$695 million. Brian said that for 2021, the University will get \$1.7 million in new money. Last year, \$8 million was help back so there would be more money to fund FY21.

Brian said the University was below average after the recession with appropriations. Roger asked what the biggest effect was with the lower state appropriations. Brian answered that student debt has been the biggest effect, and questioned how we can maintain our mission. He said in 1989, 39% of our revenue was from the state, and now 18% of our revenue is from the state. He added that this shows that the University is doing a great job funding itself, but added that other schools in the county may be only receiving 2% in state funding. Roger asked how much revenue is from other revenue. Brian said roughly \$50-100 million.

Brian noted that O&M dropped at Morris after the recession, but now has increased because enrollment has declined. Mary Elizabeth added that this is why Duluth is so irritated since Morris receives a higher percentage in O&M per student. Brian said that Duluth's O&M has increased as well, but they don't have a medical school. 1/6 of O&M goes to the medical school. Duluth looks at the percentage of O&M per student, but the Twin Cities has high cost programs on campus (such as medical, vet and law). Brian said that his goal is to help all units be successful and that all units have different demand curves. He said that at the end of the year a balanced budget for all units are taken to the Regents.

Brian showed a chart containing all units and how much money each unit receives. He noted that the medical school has drastically more revenue than any other unit but also has much higher expenses. Morris receives more state support than Crookston, which is partly because of the waiver and how Morris was built.

Brian reviewed the expenses for the University and noted that salary and fringe is such a large percentage because we need people in order for the University to run successfully. Salary increases cost \$41 million for a 2.25% increase across campuses. There is 10% that is spend on student aid to try and help keep the University affordable. This is made up of need based and merit aid.

III. Discussion with Brian Burnett

Brian said that the state cares for the University of Minnesota but also has pressures elsewhere. He said that one of the current challenges is that Minnesota has the only divided government in the U.S. (apart from Congress). Last year, the University asked for \$87 million just to help catch up and that we don't ask for any more state specials to help us with new things. Mary Elizabeth asked Brian what he would give us (from grade A-F) if he was a financial advisor and the University of Minnesota, Morris was a family. Brian thought the University would have a B- or C+, but the goal is to get in the A category. He added that we are not the worst unit in the University of Minnesota system. Brian said that the Law school has frozen salaries for 5 years and also cut many things. He added that with Morris, we need to talk about enrollment and find out what our right size should be. Mary Elizabeth said that she knows enrollment is important, and wondered why we don't know what enrollment is on Day 1. Brian replied that students can withdraw and get a full refund until day 10. Mary Elizabeth asked if we have passed the 10 day period yet. Brian also mentioned there will be a melt in the spring with students leaving.

Brian said that the University of Minnesota (Twin Cities) has a huge transfer rate within the student population. He added that Morris doesn't have any articulation agreements which can be a big factor as to why some students don't transfer to the University of Minnesota, Morris.

Brian mentioned that system wide, we have the highest 3-year graduation rate. Bryan added that more students are coming in with more credits from taking classes in high school. Mary Elizabeth pointed out that some students can't transfer their credits in at the University. Michael noted that these issues have been on the table for a long time. While he was the Chair of

Science and Math, he said he never stopped an articulation agreement because he was never presented with one. He asked where these agreements are getting stopped as well as who is working on these.

Brian said that the University wants to help units be able to help themselves. He added that change is happening, and questioned how a unit can sustain differently than how it was built. Roger said that the Finance Committee advises with the information we receive and asked how we can help. Brian said that the committee can ask what our campus is doing to grow revenue and hold expenses to sustain ourselves. Roger also asked how we can integrate better with the system as a whole. Brian said that we are integrated pretty well, especially when compared to other schools. Roger asked if there are 3-2 programs that we have for students. Bryan said we have one with Humphrey and that Nursing is going to be doing something. Brian said we can think about programs with other colleges such as the Carlson School of Management. Michael mentioned that 20% of our enrollment used to be pre-engineering, but now it is so hard to get in because the College of Science and Engineering has redesigned their programs. He said the tuition model has made it harder to transfer in. Brian asked if there are things we can do with Crookston. Brian concluded that the Finance Committee should ask how we can help the Chancellor as well as what we can do to support and help other people on campus understand the financial situation at Morris.

The meeting was adjourned.