UNIVERSITY OF MINNESOTA

President's
Recommended
Operating Budget Plan
Fiscal Year 2001-02
And Preliminary
Financial Plan
Fiscal Year 2002-03

For Approval by the
Board of Regents
July 12, 2001

PRESIDENT'S RECOMMENDED OPERATING BUDGET PLAN
FISCAL YEAR 2001-02

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I. Fiscal Years 2001-02 and 2002-03 Operating Budget Plan – Centrally Distributed and Attributed Funds

The budget plan presented to the Board of Regent's includes an increased emphasis on a two-year framework. The chart below outlines these two components:

President's *Recommended* Fiscal Year 2001-02 Operating Budget Plan	President's *Preliminary* Fiscal Year 2002-03 Operating Budget Plan

The information outlined below in items A, B, and C of Section I describes the investment plan, financial needs and resource plan in the context of a two-year framework.

A. Investment Plan and Financial Needs

Last October, the Board of Regents approved a two-year biennial budget proposal that was submitted to the Governor and state legislature. The proposal included $274,700,000 of additional funding to strengthen the foundation and invest in the future of the University over the next two years.

Strengthening the Foundation	**Investing in the Future**
General Compensation	Competitive Compensation
Undergraduate Experience	Academic Interdisciplinary Initiatives
Libraries/Technology	Health Professional Education
Core Medical School Funding	State Special Program Initiatives

Funding for the investment proposal came from three sources:

1. New state appropriation	$221,500,000
2. Increased Tuition Revenue	$ 23,000,000
3. Reallocation of current resources	$ 30,200,000
Total Funding	$274,700,000

In addition, the University will incur additional costs that were not included as part of the biennial budget proposal to the state. These additional costs represent both one-time and recurring items. On a two-year budget basis, the additional recurring and one-time costs amount to $50,186,646. The

President's two-year budget plan includes $28,415,760 for fiscal year 2001-02 and an additional $11,595,575 for fiscal year 2002-03 in recurring costs, which do not relate directly to the investment plan outlined in the biennial request to the state. In addition, the President's two-year budget plan includes $10,175,311 in one-time financial requirements for fiscal year 2001-02 to address a formula adjustment in state appropriations and other one-time operating costs.

Therefore, the total investment plan and financial needs for the 2002-2003 biennium could be summarized as follows:

Original Biennial Budget Investment Plan	$274,700,000
Other Financial Needs	$ 50,186,000
Revised Financial Needs	$324,886,000

The information outlined below begins from a framework built upon the need to develop a budget solution based upon an investment need of $342,886,000.

B. Solution to the Investment Plan and Financial Needs

The President's Recommended Fiscal Year 2001-02 Operating Budget and Preliminary Operating Budget for Fiscal Year 2002-03 attributes the budget solution in one-third increments between 1) new state appropriations, 2) tuition and fee income, and 3) internal University actions to reduce costs, revise investment plans and raise other internal institutional resources.

1. New state appropriation		$110,652,000	34%
2. Increased Tuition & Fee Revenue		$110,907,000	34%
3a. Reallocation of current resources	30,012,000		
3b. Other revenue sources	19,028,000		
3c. Investment Reductions	54,287,000		
Subtotal Costs Savings/Other Resources		$103,327,000	32%
Total Solution		$324,886,000	100%

The new state appropriation of $110,652,000 includes $89,405,000 of state general fund appropriations for operations and maintenance, $1,300,000 of state general fund appropriations for restricted state specials, and $19,947,000 of proceeds from the newly established AHC endowment. The principle for this endowment comes from the final two lump-sum tobacco settlement payments to the state.

Tuition and fee income will fund $110,907,000 of the resource plan. Applying a 10.25% general rate increase in fiscal year 2001-02 and an additional 11.25% in fiscal year 2002-03 generates increased tuition revenue of $86,712,000. The increased fee revenue is generated with the establishment of a permanent University fee of $75.00 per semester for all students in fiscal year 2001-02. This fee would increase to $150.00 per semester for all students in fiscal year 2002-03, generating $24,195,000 for the biennium. On a combined basis the tuition and fee increases amount to an average increase of 13.8% the first year and 13.2% the second year.

The remaining $103,327,000 of the resource plan relates to internal University actions to reduce costs, revise investment plans, and utilize other internal institutional resources. The major components are a) $30,012,000 in internal reallocations, b) $19,028,000 in other University resource increases and c) $54,287,000 in investment reductions. The $54,287,000 in investment reductions relate directly to a downward revision in the original biennial budget investment proposal as outlined above.

The $30,012,000 of reallocated resources includes a) $11,937,000 in recurring reductions due to the University's plan to self insure for health care, b) a $10,175,000 one-time reduction in the current resources of academic and administrative units, and c) $7,900,000 in targeted budget reductions of which $6,300,000 has been identified to be accomplished in fiscal year 2002-03.

The $19,028,000 in other revenues includes a) $4,100,000 in one-time balances in various institutional accounts, b) $11,175,000 in indirect cost recovery funds attributed to central administration, and c) $3,753,000 in other miscellaneous central resources primarily derived from the natural growth in academic and administrative unit resources subject to institutional revenue sharing.

As a result of a nearly 50% reduction in the University's biennial budget request for new state appropriations ($221,000,000 vs. $110,652,000), it was also necessary to reduce the original investment aspirations. The information below highlights downward adjustments in the original $274,700,000 biennial request as well as additional financial costs not contained as part of the original biennial request to the State of Minnesota. The adjustments are organized within five major categories of expenditure and are depicted in terms of biennial expenditures.

	Biennial Request	Investment Change	Other Costs	Revised Plan
Compensation	$158,800,000	($ 6,720,000)	$ 3,934,000	$156,014,000
Service To Students	$ 28,400,000	($19,697,000)	$13,902,000	$ 22,605,000
Academic Investments	$ 52,800,000	($29,503,000)	$17,620,000	$ 40,917,000
Facilities/Debt	$ 34,700,000	$ 1,633,000	$ 3,169,000	$ 39,502,000
Other Financial Needs	$ 0	$ 0	$11,561,000	$ 11,561,000
Grand Total	$274,700,000	($54,287,000)	$50,186,000	$ 270,599,000

Examples of significant reductions from the original biennial budget investment plan include a) a reduction from 40 to only 8 in the number of new undergraduate faculty, no new investments in undergraduate research opportunities, and minimal investments in new student advising and study abroad, b) a $13,553,000 reduction in available resources in the Academic Health Center relating to investments in additional medical school faculty and workforce programs, c) a $9,250,000 reduction in interdisciplinary investments including a reduction from 28 to 13 in the number of new faculty in computer science as well as no additional investments in the biological sciences, d) a $6,700,000 reduction in agriculture, natural resources and rural vitality, e) a $7,396,000 reduction in investments relating to libraries and technology, and f) a $8,000,000 reduction in the investment in facilities relating to the initiative for additional building renewal and replacement funds. (This decrease has been offset by significant increased costs in the area of utility inflation and new building operations. Combined facility and debt costs have increased by $1,633,000 above the amount identified in the biennial request.)

C. Two-Year Operating Budget Plan

As noted above, the President's budget plan begins with an investment need of $274,700,000. The net impact of revisions in the original biennial budget investment plan (a cutback of $54,287,000) coupled with the addition of other operating costs not included in the biennial request (addition of $50,186,000) result in a net new two-year budget plan of $270,599,000.

Original two-year plan	$274,700,000
Investment reductions	($ 54,287,000)
Other Financial Costs	$ 50,186,000
New two-year plan	$270,599,000

For purposes of describing the overall spending plan the information outlined below has been organized into the following categories.

Compensation

Service to Students (Undergraduate Experience/Libraries/Technology)

Academic Investments

Facilities / Debt

Other Institutional Financial Requirements

The financial plan and proposed annual budget for each of these categories is described below. The figures to the right of the major headings represent annual incremental increases in expenditure. In keeping with the President's desire to outline a two year budget plan, the amounts listed are additive to the prior year. For example, fiscal year 2001-02 compensation of $55,574,267 represents the incremental increase over fiscal year 2000-01. Likewise, the amount shown for fiscal year 2002-03 totaling $44,940,755 represents the increase over fiscal year 2001-02.

	Fiscal Year 2001-02	Fiscal Year 2002-03
Compensation	$55,574,267	$44,940,755

The University plans to invest $55,574,267 in fiscal year 2001-02 and an additional $44,940,755 in fiscal year 2002-03 in new resources for faculty and staff compensation. These investments include:

Inflationary salary adjustment and extraordinary health care cost increases, in order to attract and retain employees in the current job market. This plan would provide an annual 3% inflationary salary adjustment for all employee groups and also fund the anticipated benefit cost increases associated with the extraordinary health costs for both years of the biennium.

Minimum level of annual compensation, in order to ensure that employees are paid at a level that allows them to live in a community at a level above the poverty line. The President's recommended plan would set the minimum pay for employees working at least 75% time at $12.00 an hour.

Improving the competitive position of the faculty, in order to attract and retain faculty. The University's priority objective in the original biennial budget proposal to the State of Minnesota was to provide an additional 4% increase in base faculty salaries in both years of the 2002-03 biennium and an additional 5% increase in the 2004-05 biennium. The President's current plan will provide an additional 2% increase in base faculty salaries for fiscal year 2001-02 and an additional 3% increase in base faculty salaries for fiscal year 2002-03. These increases represent additional resources for faculty base salary above the general 3% inflationary salary adjustment.

It is important to note that information in this document regarding compensation matters has been prepared for budgeting purposes and should not be interpreted as an attempt by the University to disregard good faith bargaining with affected employee groups or to ignore all other mandates of PELRA.

	Fiscal Year 2001-02	Fiscal Year 2002-03
Service to Students	$10,225,825	$3,527,900

The University plans to invest $10,225,825 in fiscal year 2001-02 and an additional $3,527,900 in fiscal year 2002-03 in new resources for enhancements to the student experience. These investments include:

Enhancing the quality of the student educational experience, including hiring additional faculty for continued expansion of the freshman seminar initiative and the number of writing intensive courses; supporting unique educational opportunities such as undergraduate research programs, residential learning, and interdisciplinary minors; enhancing student advising; adding support for collection development in the libraries; and, continuing to meet our responsibility to provide high-quality educational experiences to our students with disabilities.

Academic technology enhancements, including increasing resources for internet enhanced courses -- supporting nearly 1,500 additional courses next year including some with streaming video technology; solidifying our progress on technology enhancements for classrooms by providing recurring support for the 150 upgraded classrooms we have completed over the past three years; and, continuing investment in support of faculty and research using the digital media center and related technology infrastructures.

Student support and service enhancements, including providing investment capital to streamline and enhance the financial aid process and move toward a paperless financial aid process; providing additional support for financial aid and scholarships for students; and, maintaining and enhancing service levels for both prospective and enrolled students through investments in student enterprise systems and additional front-line service personnel.

	Fiscal Year 2001-02	Fiscal Year 2002-03
Academic Investments	$12,141,000	$16,635,000

The University plans to invest $12,141,000 in fiscal year 2001-02 and an additional $16,635,000 in fiscal year 2002-03 for academic investments. These investments include:

Academic Health Center

$5,681,000 will be invested in fiscal year 2001-02 and $2,319,000 will be invested in fiscal year 2002-03 to stabilize the base funding for the Medical School's core education programs, thereby eliminating the school's reliance on one-time funds (e.g. balances and reserves) to finance ongoing medical education expenses. Stabilizing the Medical School's core funding will enable the school to continue to meet national accreditation standards, maintain current enrollments, and establish a solid financial base for rebuilding the Medical School faculty.

$5,286,000 million will be invested in fiscal year 2002-03 to implement a multi-year program to rebuild the Medical School faculty. The new faculty will be physician scientists in the school's clinical departments, who will teach, conduct research, and provide patient care. Current plans call for new hires in priority areas chosen based on the needs of the state, partnership opportunities, faculty strengths, and opportunities for major research and clinical advancements. The most critical needs are in the following fields:

- Aging
- Cancer
- Cardiovascular & Pulmonary Science
- Developmental Biology, Children & Adolescent Health
- Genetics & Genomics
- Immunology & Infectious Disease
- Neuroscience
- Stem Cell Biology

$980,000 will be invested in fiscal year 2002-03 to establish both a satellite of the University's undergraduate Bachelor of Science Nursing (BSN) program and to establish a satellite of the University's medical technology program at the University Center in Rochester. The nursing program, a collaborative effort with the Mayo Foundation and MnSCU, will enroll sixty students: thirty in the University of Minnesota's BSN program and thirty in Winona State University and Minnesota State University, Mankato programs. The program, in collaboration with the Mayo Foundation and MnSCU, will enroll twenty students annually. The first two years (pre-professional curriculum) will be offered at MnSCU institutions in Rochester or elsewhere in southeast Minnesota.

The remaining two years of the program (professional curriculum) will consist of advanced course work, laboratory instruction, and a twenty-two week clinical rotation in a Rochester area facility.

Compact Pool

$3,950,000 will be invested in fiscal year 2001-02 and an additional $6,000,000 will be invested in fiscal year 2002-03 to build a significant pool of funding for compact initiatives. Annually the collegiate and administrative units at the University engage in a comprehensive planning and priority setting process, resulting in programmatic agreements between those units and their respective executive vice president or senior vice president. Allocation of compact pool funding is a tool for the administration to help shape and direct priorities as they develop at the local level. Funds are used in a wide variety of ways to support the University's overall strategic goals and priorities.

Interdisciplinary Academic Initiatives

$1,300,000 will be invested in fiscal year 2002-03 to support 13 new faculty positions in computer science and information technology fields on all four University campuses. Taken together these new faculty will dramatically increase the University's computer science teaching capacity, generate millions of dollars of additional research funds, and create new opportunities for partnerships with Minnesota's information technology industry.

Also in fiscal year 2002-03, $750,000 will be matched by at least another $750,000 from the Institute of Technology to purchase updated basic equipment necessary for University faculty to compete for federal nanotechnology research money and to position the University for its bid to be a federally designated National Center for Nanotechnology Research.

Agriculture, Natural Resources, and Rural Vitality

$500,000 will be invested each year to enhance and expand on the University of Minnesota's long tradition of providing research and outreach support for the agriculture and natural resource sectors of Minnesota's economy. Emerging issues and changing technology will continue to drive the need for additional resources in these areas.

$150,000 will be invested each year to support research in emerging areas where the base level funding for the Natural Resources Research Institute has been limited. Included in these areas are environmental clean-up, expanded use of hybrid poplars, and use of wood processing waste in developing agriculture and pharmaceutical products.

	Fiscal Year 2001-02	Fiscal Year 2002-03
Facilities/Debt	$13,945,851	$11,880,849

The University plans to invest $13,945,851 in fiscal year 2001-02 and an additional $11,880,849 in fiscal year 2002-03 in new resources for facility operations and debt.

The President's recommended budget plan includes the incremental cost increases for new and renovated buildings that will open during the next two fiscal years. Costs include custodial services, routine and preventive maintenance, and utility services. The costs reflect a net growth in space due to new buildings and new replacement buildings larger than the buildings removed. Based upon experience, renovated buildings cost more to operate due to the addition of air conditioning; improving custodial and maintenance services to the University standards; and greater technology utilization.

During the next two years buildings will open on each of the University campuses:

Crookston:	Kiehle Hall
Morris:	Renovated Science-Math Building
Duluth:	Music Performance and a Grounds Building
Twin Cities:	Walter Digital Technology Center; Molecular and Cellular Biology; Architecture renovation and addition; Microbial and Plant Genomics; Plant Growth Facilities- Phase 1; Art Building; Bierman Addition and Renovation; Law School Addition

Additional resources are also required which relate to the University's efforts to upgrade obsolete laboratories, develop programs in emerging fields and attract quality employees. This plan requires an increase in expenditures during the upcoming two-year budget period in order to meet our financial commitment regarding principal and interest payments on outstanding debt obligations. In addition, facility lease costs are projected to increase $1,747,774 during the next-two year period.

New financial resources are also required in order to pay for the increased costs of producing and purchasing the utilities necessary to operate the University on a daily basis. The two-year increase in utility expenditures is estimated at $12,589,467.

	Fiscal Year 2001-02	Fiscal Year 2002-03
Other Institutional Requirements	$9,903,102	$210,512

The University has additional operating budget financial requirements totaling $9,903,102 in fiscal year 2001-02 and an additional $210,512 in fiscal year 2002-03. Each year the University faces a variety of miscellaneous financial obligations that do not directly correspond to the framework of the biennial budget request to the State of Minnesota. The most significant components within this category include a $6,326,000 one-time adjustment in the University's state appropriation relating to an existing funding formula in Minnesota Statutes. The one-time formula adjustment accounts for 54% of the anticipated $11,560,255 in other expenses during the upcoming two year budget. Other investments include funds for the implementation of the sponsored reporting and receivables project as well as funds for improving security and enhancement to grants management activities.

II. Fiscal Year 2001-02 Operating Budget Overview

The President's Recommended Fiscal Year 2001-02 Operating Budget has been prepared based upon projected revenues and expenditures from a wide variety of sources. Attachment 1 (Resource and Expenditure Budget Plan) displays the recommended budget plan for all current, nonsponsored funds (funds supporting annual operating expenses). In summary, the budget for total current, nonsponsored funds is proposed as follows:

Table 1
Current Nonsponsored Funds-Recommended Fiscal Year 2001-02 Operating Budget

Beginning Balance	$421,323,483
Revenues & Net Transfers	1,777,419,415
Total Net Resources	2,198,742,898
Expenditures	1,753,946,841
Ending Balance	$444,796,057

Within the framework of the Resource and Expenditure Budget Plan, the primary funds supporting teaching, research and outreach are Operations and Maintenance (O&M), Tuition, State Specials and Indirect Cost Recovery (ICR). These four funds total 66% of externally generated revenues of the University and represent the major focus of budget development and planning. (The remaining 34% of the University's budget is derived from grants and contracts, auxiliary enterprises, philanthropic support, educational sales and services, etc.) Table 2 below summarizes the revenue and expenditure plans relative to these four funds.

Table 2
The President's Recommended Fiscal Year 2001-02 Operating Budget
(O&M, Tuition, State Specials, ICR)

Beginning Balance	$6,919,036
Revenues and Net Transfers	
Operations & Maintenance	$641,102,017
Tuition	$287,833,739
State Specials	$89,625,468
Indirect Cost Recovery	$73,835,188
Total Net Resources	$1,099,315,448
Allocations to Academic & Support Units	$1,098,290,514
Ending Balance	$1,024,934

Tuition Plan

The University administration is recommending a 10.25% general tuition increase for fiscal year 2001-02 in order that essential University-wide costs, including support for a competitive compensation plan for faculty and staff, enhancement of services to students, and increases in facility costs, can be covered. As mentioned in the Investment Plan and Financial Needs section above, tuition increases are supporting 34% or $107,946,000 of this overall plan for new investments in fiscal year 2001-02. Due to the level of support tuition provides for the University budget (16% of total nonsponsored revenues and nearly 57% of instructional expenditures), an annual increase in tuition is essential, such that these annual investment needs can be met.

In developing the most recent biennial budget proposal, the University envisioned sharing with the state and students, the responsibility for strengthening the foundation and funding investments for the future. As described in the previous section, the state fell significantly short of providing the increased level of state funding requested in the biennial budget proposal. As a consequence, in order for the University to fund the most critical elements of the foundation and investment plan, it becomes necessary to increase tuition beyond what was envisioned at the time the 2002-2003 biennial budget proposal was developed.

In setting tuition rates, the University always balances the need for new investments with the importance of maintaining access, particularly for low-income students. Grant funds for low-income students have increased significantly over the past several years at both the federal and state levels, and will increase very significantly in fiscal year 2001-02, when the maximum Pell grant increases from $3,300 to $3,750. The new federal tax bill (the Economic Growth and Tax Relief Reconciliation Act of 2001) provides additional assistance for lower income, middle income, and upper middle-income students in various forms. Therefore, tuition increases for most resident undergraduate students under this proposal will be offset by changes in financial aid and federal tax laws. The tax law changes are particularly beneficial for fiscal year 2001-02. Some of these changes will also benefit undergraduate students from other states and graduate and professional students.

To ensure that the 25 percent of the University's undergraduate students who are low income (i.e., "Pell eligible") are protected, the University will budget $5,100,000 over the course of the next biennium for need-based grants for undergraduate students. This new funding is in addition to increases in Pell Grants plus Minnesota State Grants for the University's undergraduate students of $5,400,000. Total grant awards (Pell + State + University) will increase at the same rate as the proposed tuition and required fees.

The new federal tax law raises the annual contribution limit for education IRA's from $500 to $2000. In addition, it allows single tax payers with incomes up to $65,000 and those filing jointly with incomes up to $130,000 to deduct $3000 in federal tax years 2002 and 2003 and $4000 in federal tax years 2004 and 2005 for higher education purposes. The latter provision provides tax savings of from $450 to $900 per year in 2002 and 2003 and $600 to $1,200 per year in 2004 and 2005, depending on income and filing status. The estimated total value of this tax savings for undergraduate students and/or their families in 2002 is $14,000,000.

An example of how new costs are offset by new resources is provided below for Twin Cities undergraduate students.

Parental Income	**Tuition / Fee Increase**	**Increase in Aid**	**Tax Savings**
Less then $20,000	$659	$659	(may qualify)
$20,000 - $50,000	$659	$325 (+/-)	$325 (+/-)
$50,000 - $130,000	$659	$0	$810

The impact and offset for undergraduate students on the Crookston, Duluth, and Morris campuses is similar.

Pending changes in Minnesota tax laws may also enable many Minnesota families to provide greater financial support for their children attending higher education.

The current average loan indebtedness for undergraduate students who borrow to pay for their education is $14,500. If tuition were to increase as much as 50 percent over the next four years, average loan indebtedness would be expected to increase to $18,125. For undergraduate students who use loan programs to finance their higher education, two factors will help to mitigate any increase in average loan indebtedness. First, the interest rate on federally funded subsidized loans is dropping from 8.19% to 5.99% effective July 1, 2001. The reduction is retroactive for loans received after July 1, 1998. In some cases existing loans can be consolidated to take advantage of the new rate. Second, the new federal tax bill eliminates the 60-month limit on the deduction for student loan interest and extends eligibility to $65,000 for single tax payers and to $130,000 for those filing jointly.

In addition to the tuition rate increases recommended for fiscal year 2001-02, a new University fee will be implemented that will provide funds to cover central costs associated with services to students. This fee, $75 per semester, will be charged to all students beginning fall semester 2001. This fee is proposed to increase to $150 per semester for all students for fall semester 2002. On a combined basis, the tuition and fee increases amount to an average of 13.8% for fiscal year 2001-02.

This current generation of University students has experienced direct benefit from the University's recent annual tuition plans. The increase in tuition dollars has been invested in those elements of the students' education that most affect them – high quality faculty and staff, up-to-date technology, modern and clean facilities, well-supported student services, etc. The same holds true for the fiscal year 2001-02 recommended tuition and foundation and investment plans.

III. All Funds Budget Context

The University's financial information is presented within this fiscal year 2001-02 budget document in an all-funds context. This allows the Board of Regents to view the entire scope of the financial activity managed by the University. The following pages and attachments have been designed to enhance the understanding of the Board, the University community, and the public, regarding the total picture of the University of Minnesota's budget activity.

The financial structure of the University classifies revenues and expenditures into two broad fund categories: 1) current funds, which comprise approximately 85% of annual expenditures; and 2) noncurrent funds, which comprise approximately 15% of annual expenditures.

A. Current Funds

Current funds support the day-to-day activities of the University and can be broken down into two categories:

1) Nonsponsored Funds
    - Centrally Distributed and Attributed

      Funds distributed or attributed by the Board of Regents, which may be further distributed to a unit or department by a central, collegiate or administrative office

    - Self-Sustaining

      Funds in which expenditures are supported by revenues earned by the internal or external sale of goods or services, or by gifts from external donors

2) Sponsored Funds (Sponsored Research)

   Funds provided by a grant or contract that are administered by Sponsored Project Administration (SPA) within the Office of the Vice President of Research

For fiscal year 1999-2000, the most recent year of actual resource and expenditure information, current fund revenues and net transfers in for University operations totaled approximately $2.1 billion. Attachment 2 contains the definitions of all current nonsponsored and sponsored funds. Table 3 below outlines the major funding sources supporting fiscal year 1999-2000 current fund expenditures:

Table 3
Fiscal Year 1999-2000 Current Fund Revenues
Sponsored and Nonsponsored

Funding Source	FY 1999-2000 Actual Revenues	Percent of Total
Operations & Maintenance	$530,018,615	25.7%
Tuition	265,212,743	12.8%
State Specials	86,888,819	4.2%
Indirect Cost Recovery	59,821,730	2.9%
Central Reserves	20,551,561	1.0%
Auxiliary Enterprises	177,192,999	8.6%
Internal Service Organizations	152,530,358	7.4%
Other Unrestricted Accounts	145,679,929	7.1%
Other Restricted Accounts	247,770,583	12.0%
Subtotal Current, Nonsponsored	$1,685,667,337	81.7%
Sponsored Research	$377,994,448	18.3%
Total Revenue	$2,063,661,785	100.0%

For fiscal year 1999-2000, current fund expenditures totaled approximately $2 billion. Table 4 below outlines the current fund expenditures according to function.

Table 4
Fiscal Year 1999-2000 Current Fund Expenditures
Sponsored and Nonsponsored

Function	Current Nonsponsored Amount	Sponsored Research Amount	Total Expenditure Amount	Percent of Total
Instruction	$450,846,668	$20,654,872	471,501,540	23.9%
Research	146,202,127	288,191,120	434,393,247	22.0%
Public Service	97,757,198	69,148,456	166,905,654	8.5%
Academic Support	234,237,469		234,237,469	11.9%
Student Services	61,434,808		61,434,808	3.1%
Institutional Support	201,035,524		201,035,524	10.2%
Plan Oper/Maintenance	169,434,127		169,434,127	8.6%
Scholarships	74,599,449		74,599,449	3.8%
Auxiliary Enterprises	156,844,778		156,844,778	8.0%
Hospital/Clinic	(269)		(269)	0.0%
Total Expenditures	$1,592,391,879	$377,994,448	$1,970,386,327	100.0%
Percent of Total	80.8%	19.2%	100.0%	

B. Noncurrent Funds

Noncurrent funds generally do not support the daily operations of the University. Since expenditures can change significantly from one year to the next, budgets for noncurrent funds are less predictable than the budgets for current funds. Noncurrent funds can generally be classified into one of the following fund groups:

1) Plant Funds

The majority of noncurrent expenditures are contained within the plant funds. These funds are to account for property, plant and equipment transactions of the University. The spending pattern in this area varies depending upon capital project construction timetables and available financing from external sources such as State of Minnesota general obligation bonds. Plant fund activities are summarized in the six-year capital improvement plan to be presented to the Board of Regents for review in September 2001 and the annual capital budget approved by the Board in June 2001.

2) Endowment and Similar Funds

The resources included in endowment and similar funds are a combination of gifts made to the University that contain certain stipulations as to preservation of principal, and additions to existing endowments in the form of investment income and market value fluctuations. Projections of total change in endowment and similar funds are difficult because these funds are subject to market risks as well as fluctuations in contributions.

3) Loan Funds

These funds are designated for student loans, which are provided by the federal government, the state of Minnesota, and private donors. The loan fund is the smallest group of noncurrent funds. Additions to the fund consist of interest received on outstanding loans and new contributions.

IV. Compact/Budget Development

The compact process has been designed to align the goals, directions and overall investment strategy established by the President and Board of Regents with the academic priorities established within each unit by deans, directors, faculty and staff. The annual budget process and the compact process come together through a review of unit level financial status and any proposed programmatic enhancements described in the draft compact documents. Financial information on basic operations is combined with programmatic investment opportunities to arrive at a more complete understanding of the financial state of each unit. This process results in an appropriate level of allocation to best meet the goals of the institution and the unit within existing financial constraints.

For fiscal year 2001-02, the compacts are being developed as extensions or updates of the compact documents from the last two years. Each unit has been asked to provide information on the progress related to priorities identified over the last two years, and then to describe any new or emerging goals for the next year. The President's recommended budget for fiscal year 2001-02 includes $3.95 million that will be allocated in support of compact initiatives.

V. President's Recommended 2001-02 Financial Plan by Fund Group

The President's Recommended Fiscal Year 2001-02 Financial Plan includes both the annual operating budget and the annual capital budget.

The President's operating budget plan is composed of current, nonsponsored funds that represent approximately 81% of all current fund expenditures. The budget plan also includes estimated expenditures for current, sponsored funds, which comprise the remaining 19% of annual current fund expenditures. Expenditure estimates are also included for noncurrent funds.

Current funds, within three general categories, are as follows:
1. <u>Centrally Distributed and Attributed Funds</u>:
- Operations and Maintenance
- Tuition
- State Specials
- Indirect Cost Recovery
- Central Reserves

<u>2. Self-Sustaining Funds</u>:
- Auxiliaries
- Internal Service Organizations (ISO)
- Other Unrestricted Including Other Central Pools
- Other Restricted

3. Sponsored Funds (Research)
Attachment 2 provides an explanation of each current, nonsponsored and sponsored fund category.

Budget Plan Summary

Attachment 3, the Fund Forecast, contains the current estimate of actual activity to date for fiscal year 2000-01 and projected activity for 2001-02 for the Centrally Distributed and Attributed funds listed above. What follows is a brief overview of the fiscal year 2001-02 operating budget plan for each of the current fund categories outlined above.

Centrally Distributed and Attributed Funds

Operations and Maintenance Fund
The financial plan for the Operations and Maintenance fund is based upon resources derived from state appropriations, financial services fees, the new University Fee, the Enterprise Assessment, the Institutional Revenue Sharing (IRS) plan, one-time transfers from operating units, and transfers-in from central reserves. The tuition fund section reflects the financial plan for tuition income, now attributed directly to Crookston, Duluth and Morris campuses and Twin Cities campus collegiate units.

A. Projected Resources
Resources available for fiscal year 2001-02 are projected to be $643,515,041. This represents an increase in resources of $54,063,651 compared to fiscal year 2000-01. Legislative appropriations increase $23,178,000; application and financial services fees contribute a net increase of $163,000; the new University fee will generate $7,735,965; IRS resources are projected to increase $13,757,778; the Enterprise Assessment is projected to increase $246,233; the transfer-in of one-time O&M balances will be $13,335,311 more than the previous year; net transfers in from other funds have decreased by $4,433,863; and the balance available from the previous year is estimated to be $81,227 more than that available in fiscal year 2000-01.

B. Proposed Distributions
Proposed distributions for fiscal year 2001-02 total $642,496,120. The projected ending balance at fiscal year end is $1,018,921. The fiscal year 2001-02 financial plan for the Operations and Maintenance fund is as follows:

	FY 2001-02
Balance Forward	$2,413,024
Annual Revenues/Net Transfers	$641,102,017
Total Net Resources Available	$643,515,041
Estimated Expenditures	$642,496,120
Ending Balance	$1,018,921

Tuition Fund

A. Tuition Rates / FY2001-02

The University administration recommends a 10.25% tuition rate increase on undergraduate tuition on the Crookston, Duluth, Morris, and Twin Cities campuses for fiscal year 2001-02. Except for a few professional school and graduate programs on the Twin Cities campus, the recommended tuition rate increase for graduate programs is 10.25%. Several academic health center professional programs, a few of the Carlson School professional programs, and the Law School are proposing tuition rate increases in excess of 10.25%. These rate increases are consistent with Board policy allowing for increases that are cost-related and market-based for graduate and professional programs.

Implementation of this recommended tuition plan will sustain tuition revenue as a major source of the University's overall revenue. For fiscal year 2001-02, estimated tuition revenue will represent 16% of total University nonsponsored revenues.

The fiscal year 2001-02 tuition rate schedule for all campuses can be found in Attachment 4.

B. Actual Tuition Revenue / Fiscal Year 2000-01

The fiscal year 2000-01 tuition revenues are as follows:

Campus	Approved Budget FY2000-01	Actual FY2000-01
Crookston	$3,755,121	$4,165,605
Duluth	$34,666,242	$35,142,152
Morris	$7,745,822	$7,659,895
Twin Cities	$207,053,662	$212,053,593
Systemwide Total	$253,220,847	$259,021,145

Actual fiscal year 2000-01 tuition revenue exceeds the fiscal year 2000-01 approved budget tuition revenue estimate by $5,800,298 or 2.3%. This increase in tuition revenue is not completely unexpected. In many cases, collegiate units continue to budget conservatively as this was only the second year on the semester calendar and there continue to be some unknowns. The continued effort put forward by colleges, departments, and University administration to educate students about the semester change and encourage them in keeping credit loads up paid off in the form of additional tuition revenues over budget.

C. Tuition Revenue Estimates / FY2001-02

The fiscal year 2001-02 tuition revenue estimates by collegiate unit are as follows:

Fiscal Year 2001-02 Tuition Estimates by Collegiate Unit

	FY2001-02
Crookston	$4,600,000
Duluth	38,137,386
Morris	8,359,534
Academic Health Center	
Duluth School of Medicine	1,959,180
School of Dentistry	5,332,334
Medical School	17,304,804
School of Nursing	2,671,146
College of Pharmacy	5,150,346
School of Public Health	3,132,372
College of Veterinary Medicine	4,736,930
Academic Health Center Shared	103,636
Total Academic Health Center	40,390,748
Executive Vice President and Provost	
Biological Sciences	7,458,138
Liberal Arts	68,973,596
General College	5,010,863
Institute of Technology	38,574,757
Architecture and Landscape Architecture	3,390,246
Education and Human Development	17,051,519
Human Ecology	5,325,337
Natural Resources	2,191,359
Agriculture, Food and Environmental Sciences	6,244,767
Carlson School of Management	21,513,151
Humphrey Institute of Public Affairs	1,549,282
Law School	8,817,743
College of Continuing Education	9,986,723
Total Executive Vice President and Provost	196,087,481
Vice President Units	
Vice President for Research	96,335
Executive Vice President and Provost	162,255
Total Vice President Units	258,590
Grand Total	$287,833,739

In estimating the fiscal year 2001-02 tuition revenue, numerous factors are considered. The factors of rate changes and volume changes figure predominantly into the annual estimates. Conversion to semesters in Fall 1999 means that the collegiate units have four semesters worth of experience with this new academic calendar to use in estimating tuition for the coming year. As stated above, there continues to be significant effort, both on the part of the collegiate units and the University administration, to counter the negative affects of a calendar change on tuition revenue by counseling students to keep their credit loads up and by offering each credit over the 12th credit at half-price. This half-price policy remains in place for fiscal year 2001-02.

Collegiate use of course offerings in Summer Session and Intersession continues to be a factor in estimating tuition revenues for fiscal year 2001-02. In addition, colleges better understand the dynamics of the IMG model of tuition attribution. With four years of IMG experience, the colleges have become more effective in estimating and generating tuition revenue.

D. Financial Plan for Tuition Fund

The fiscal year 2001-02 financial plan for the Tuition fund is as follows:

	FY 2001-02
Balance Forward	$0
Annual Revenues/Net Transfers	$287,833,739
Total Net Resources Available	$287,833,739
Estimated Expenditures	$287,833,739
Ending Balance	$0

State Specials

A. Projected Resources

Revenues from the State Specials available for fiscal year 2001-02 total $89,625,468. This represents an increase of $6,470,463 compared to fiscal year 2000-01. The change reflects an increase in the estimated appropriation from the existing tobacco endowment of $529,557, implementation of an appropriation from a new tobacco endowment of $5,680,906, two increases in the agricultural special: one general increase for $500,000, and a second for $150,000 associated with white pine research, and an increase in the system special of $150,000 for NRRI. Finally, the appropriation from the state health care access fund was reduced by the FY01 nonrecurring amount of $300,000 and two nonrecurring FY01 appropriations totaling $240,000 were removed.

On attachment 3, the fiscal year 2001-02 beginning balance for state specials is $(1,028,495). This represents the difference between the early estimate for the tobacco endowment that was included in the approved budget for fiscal year 2000-01 and the actual proceeds from the tobacco endowment received during the year. This variance will be eliminated during fiscal year 2001-02.

B. Proposed Distributions

The fiscal year 2001-02 financial plan for State Specials is as follows:

	FY 2001-02
Balance Forward	$(1,028,495)
Annual Revenues/Net Transfers	90,653,963
Total Net Resources Available	$89,625,468
Estimated Expenditures	$89,625,468
Ending Balance	$0

Table 5 below outlines the state special modifications by RRC for fiscal year 2001-02. Some of the changes reflect the transfer of funds between RRCs and do not represent a change in the overall resources available.

Table 5
Fiscal Years 2000-01 and 2001-02 State Specials Budget Plan

Resource Responsibility Center	FY2000-01	FY2001-02	Change
Agricultural Experiment Station	$36,057,292	$36,707,292	$650,000
MN Extension Service	$19,700,708	$19,680,708	$(20,000)
Academic Hlth. Center	$5,335,655	$4,535,655	$(800,000)
Tobacco Endowment - 1	$6,969,005	$7,498,562	$529,557
Tobacco Endowment – 2	$0	$5,680,906	$5,680,906
Medical School	$1,247,731	$1,247,731	$0
Public Health	$439,825	$439,825	$0
Veterinary Medicine	$2,159,789	$2,659,789	$500,000
Institute of Technology	$1,645,000	$1,645,000	$0
Bell Museum	$203,310	$203,310	$0
Research	$2,583,163	$2,583,163	$0
Carlson School of Management	$933,738	$933,738	$0
Humphrey Institute	$131,205	$131,205	$0
Executive VP and Provost	$100,784	$100,784	$0
Crookston	$200,000	$200,000	$0
Duluth	$4,217,437	$4,147,437	$(70,000)
Morris	$330,363	$330,363	$0
Supplemental Agricultural Initiatives	$900,000	$900,000	$0
Grand Total	$83,155,005	$89,625,468	$6,470,463

Indirect Cost Recovery Fund

A. Projected Resources

For fiscal year 2001-02, available indirect cost recovery resources are estimated to be $78,341,200. This represents an increase of $7,259,842 over the previous year: revenue is projected to increase $3,399,912; the balance available from the previous year is $1,426,067 higher than that available in fiscal year 2000-01, and the one-time transfer to O&M of $2,433,863 has not been repeated in fiscal year 2001-02.

The fiscal year 2001-02 financial plan for the Indirect Cost Recovery Fund is as follows:

	FY 2001-02
Balance Forward	$4,506,012
Annual Revenues/Net Transfers	$73,835,188
Total Net Resources Available	$78,341,200
Estimated Expenditures	$78,335,187
Ending Balance	$6,013

B. Revenue Distributions

The original IMG formula applies such that 51% of the revenue generated by a unit will remain with that unit, and the remaining 49% will be directed to administrative support units. Table 6 presents a summary of the change in indirect cost revenue allocations from fiscal year 2000-01 to fiscal year 2001-02 by resource responsibility center.

Table 6
Distribution of ICR Revenue for Fiscal Years 2000-01 and 2001-02

	FY2001	FY2002	Change
Crooskton	12,871	13,257	386
Duluth	1,451,689	1,495,239	43,550
Morris	4,895	5,042	147
Academic Health Center			
Academic Health Center – Shared	1,464,227	2,035,894	511,667
Duluth School of Medicine	228,295	235,144	6,849
School of Dentistry	575,691	592,962	17,271
Medical School	12,997,285	13,650,600	653,315
School of Nursing	151,254	79,454	(71,800)
College of Pharmacy	444,785	476,180	31,395
School of Public Health	5,237,391	5,394,513	157,122
College of Veterinary Medicine	635,488	654,552	19,064
Total Academic Health Center	21,734,416	23,119,299	1,384,883
Executive Vice President and Provost			
Executive Vice President and Provost	19,781	17,380	(2,401)
College of Biological Sciences	1,508,511	1,553,766	45,255
College of Liberal Arts	1,021,081	1,051,713	30,632
General College	45,374	46,735	1,361
Institute of Technology	7,419,488	7,642,072	222,584
Agricultural Experiment Stations	562	0	(562)
Architecture and Landscape Architecture	93,065	95,857	2,792
College of Education & Human Dev.	1,255,019	1,292,669	37,650
College of Human Ecology	387,806	399,440	11,634
College of Natural Resources	259,316	267,096	7,780
College of Ag, Food & Env. Sciences	774,856	798,101	23,245
Carlson School of Management	160,278	181,002	20,724
Humphrey Institute of Public Affairs	178,084	183,427	5,343
Law School	10,541	10,857	316
Minnesota Extension Service	27,144	27,958	814
University College	19,046	19,618	572
University Libraries	1,515,940	1,494,637	(21,303)
Multicultural Affairs	3,992	510	(3,482)
Total Executive VP and Provost	14,699,884	15,082,838	382,954
Research	5,038,481	5,284,279	245,798
Student Development and Athletics	5,275	8,141	2,866
Facilities Management	18,149,795	25,017,114	6,867,319
Budget and Finance	240,000	240,000	0
Office of the Controller	1,595,150	1,659,520	64,370
Debt Service	3,642,891	6,410,458	2,767,567
Grand Total	66,575,347	78,335,187	11,759,840

Central Reserves

A. Projected Resources

The central reserves balance is projected to be $14,383,321 at the beginning of fiscal year 2001-02 and $14,633,797 at the end of fiscal year 2001-02. Resources available for the year are projected to be $17,437,592, which is $15,549,524 less than fiscal year 2000-01: investment earnings are expected to decrease $3,000,000 from the previous year, "other revenues" recorded will decrease $685,000 in miscellaneous income, the transfers to O&M is being reduced by $2,000,000, and the balance available from the previous year is $13,864,524 less than it was for fiscal year 2000-01.

B. Proposed Distributions

The distribution of Central Reserves funds is done on a nonrecurring basis. Proposed Central Reserves expenditures include: $408,795 for retirement of a sequestered deficit in the Carlson School of Management; $45,000 for Board of Regents expenses; $50,000 for the President's Office; $800,000 for research projects associated with the NIH settlement requirements; and $1,500,000 for contingency items.

The fiscal year 2001-02 financial plan for Central Reserves is as follows:

	FY 2001-02
Balance Forward	$14,383,321
Annual Revenues/Net Transfers	$3,054,271
Total Net Resources Available	$17,437,592
Estimated Expenditures	$2,803,795
Ending Balance	$14,633,797

Self-Sustaining Funds

Auxiliary Enterprises

The University operates a number of self-sustaining operations called auxiliary enterprises. These are activities that provide goods and services predominantly to individuals in the University community and incidentally to the general public. Residence halls, food services, student unions, bookstores, parking and transit, health services and intercollegiate athletics are primary examples of auxiliary enterprises.

Overall, the fiscal year 2001-02 budget plan for auxiliary enterprises is based upon estimated resources of $183,081,823.

Internal Service Organizations

The University operates internal service organizations, established for the purpose of convenience, cost or control, which provide goods and services predominantly to University departments and incidentally to the general public. Fleet services, University Stores and the Physics Shop are primary examples of internal service organizations.

Overall, the fiscal year 2001-02 budget plan for internal service organizations is built based upon estimated resources of $161,697,564.

Other Unrestricted and Other Restricted Nonsponsored Accounts

Fiscal year 2001-02 budget plans for other unrestricted and restricted nonsponsored funds are based upon resources of approximately $359,583,770.

The other restricted fund category includes numerous restricted accounts, the funds of which may only be used in accordance with the purposes established by the source of funds. Examples of funds included in this category are grants and contracts with business and industry, University of Minnesota Foundation, private practice, and restricted government funds.

Sponsored Research

Sponsored research consists of grants and contracts administered through the Office of Sponsored Project Administration (SPA). Sponsored funds typically represent multi-year activities.

Estimated expenditures for a given year will vary according to the University's ability to obtain research grants as well as the timing of expenditures related to current or pending research projects.

Expenditure estimates for fiscal year 2001-02 amount to approximately $334,000,000.

VI. Special Budget Issues

Compensation

Compensation Plan

This fiscal year 2001-02 budget plan is based on the following compensation planning parameters:

- For faculty, each college/campus (other than Duluth) will have a 3% pool from a combination of central administrative and collegiate/campus funds that is to be distributed in accordance with the annual merit review process. Deans and administrative heads may augment this 3% pool with additional funding to address extraordinary merit/market competitiveness. No maximum percentage will be stipulated.
- Each dean will have an additional 2% pool (again from a combined funding source of central administrative and collegiate/campus funds) that is to be awarded to about 20% of their faculty in fiscal year 2001-02 for reasons of extraordinary merit or to address external market competitiveness. This special merit pool of 2%, to be held in each dean's office, would be distributed as part of a special merit program with criteria determined by the dean in consultation with faculty leadership. While these resources are targeted to individuals, it is expected that the allocation will be distributed disproportionately to selected units, departments or fields of study. This approach would be repeated in fiscal year 2002-03. Deans may choose to hold a portion of the funds in this pool for later distribution during the year as retention problems are identified, but the allocation must be made to improve faculty

salaries during the designated fiscal year. Collegiate units in the Academic Health Center will obtain special merit pool funds distributed by central administration from the Office of the Senior Vice President for Health Sciences.

- Deans may augment this 2% special faculty merit pool with additional funding to further address cases of extraordinary merit/market competitiveness. No maximum percentage will be stipulated.
- For P&A staff, each college/campus and administrative unit will have a 3% pool from a combination of central administrative and collegiate/campus funds that is to be distributed in accordance with the annual merit review process. Deans and administrative heads may augment this 3% pool with additional funding to address extraordinary merit/market competitiveness. No maximum percentage will be stipulated.

It is important to note that information in this document regarding compensation matters has been prepared for budgeting purposes and should not be interpreted as an attempt by the University to disregard good faith bargaining with affected employee groups or to ignore all other mandates of PELRA.

Fringe Benefit Rates

The fringe benefit rates for civil service, academic and graduate assistants proposed for fiscal year 2001-02 and projected for fiscal year 2002-03 are shown below.

	Actual 2000-01	Proposed 2001-02	Projected 2002-03
Civil Service (and undergraduate students)	27.7%	30.2%	31.1%
Academic	27.5%	31.9%	33.1%
Graduate Assistants			
Tuition	$5.28/hr	$6.65/hr	$7.40/hr
Health Insurance	9.8%	16.9%	19.6%
Social Security	6.2%	6.2%	6.2%
Medicare	1.5%	1.5%	1.5%

The breakdown of the fringe benefit rates by component is included in this document as Attachments 5 and 6.

Rates and Fees

Internal Service Organizations and Auxiliaries

There are a variety of rates charged by University units that fall under the definition of Internal Service Organizations (ISOs) or Auxiliary Enterprises (see page 24 for description). The proposed rates and fees for each year and a review of the processes used to arrive at them are built into the annual budget development process. The all-funds budget recommended in this document, as displayed on Attachment 1, includes the proposed ISO and Auxiliary rates as part of the projected revenues for fiscal year 2001-02.

The University provides housing, dining and parking services for the convenience of its students, faculty and staff. Though the specific rates and charges for these services vary broadly, the table below reflects the average anticipated increases by each service area by campus. These rates reflect the increase in debt service costs that are now following the construction efforts across the University (including the improvement of sprinkler systems in housing on each campus). These rates have been developed and approved after the appropriate reviews and consultation process of each campus.

Table 7
Auxiliary Rate Increases
Average Recommended Fee Increases for FY02

Campus	Housing	Dining	Parking
Crookston	10.0%	4.6%	8.3%
Duluth	8.0%	4.5%	6.9%
Morris	8.8%	7.8%	0.0%
Twin Cities	8.0%	4.0%	12.0%

Other Fees

Each request for a new course or collegiate fee or increase greater than 3% in an existing course or collegiate fee has been reviewed through the budget process. Attachments 7 and 8 contain the lists of all such proposed fees that are recommended for approval at this time. Each of these changes meet the parameters established in Regents policy. In general, the course fees are designed to recover specific costs and are assessed for the purposes of 1) paying for transportation related expenses associated with field trips, 2) paying for expendable materials utilized in instruction, or 3) charges relating to cost demand for services such as music lessons or access to very specialized equipment. At this time, the majority of collegiate fees primarily support technology needs in the college – technology costs directly related to serving the students (labs, equipment, etc.). Some collegiate fees support general operating expenses in addition to technology needs.

As mentioned previously, the President's recommended operating budget for fiscal year 2001-02 contains a proposed University fee to support the costs of services to students and general institutional overhead. For fiscal year 2001-02, this fee will be implemented each semester as $7.50 per credit for 9 credits or fewer, and at a flat $75 per semester for 10 credits and above. For fiscal year 2002-03 (beginning fall semester 2002), the fee would be raised to $15 per credit for 9 credits or fewer, and a flat $150 per semester for 10 credits and above.

The all-funds budget recommended in this document, as displayed on Attachment 1, includes the fee increases as part of the projected revenues for fiscal year 2001-02.

Student Services Fee Summary

Attachment 9 outlines the recommendations to the Board regarding student services fees at all campuses for fiscal year 2001-02.

VII. Noncurrent Funds Budget Summary

The table below outlines the fiscal year 2001-02 projected budgets for noncurrent funds.

Fund Group	FY2001-02 Estimates
Loan Funds (Net increase to fund balance)	$2,300,000
Endowment & Similar Funds (Net increase to fund balance)	$116,100,000
Plant Fund (Expenditure Budget)	$368,000,000

Funds expended for plant facilities are particularly volatile due to project financing requirements and the availability of state general obligation bonds to finance University capital improvement projects. The Capital Budget presented to the Board of Regents for review in May and approval in June includes new projects for fiscal year 2001-02 that will be completed in fiscal year 2001-02 and future years. The Capital plan also contains previous projects which have not yet been completed but for which work will continue in fiscal year 2001-02 and future years. The expected expenditures in the plant fund will vary greatly depending upon the project timeline for the construction work.

The Fiscal Year 2001-02 Capital Budget approved by the Board of Regents in June totals $58,826,000. Total expenditures from the plant fund in fiscal year 2001-02 (identified above) will include expenditures for some of the new fiscal year 2001-02 projects plus previously approved projects continuing in fiscal year 2001-02.

VIII. Budget Plan – All Current Funds Estimate

Budget Resolution on the Fiscal Year 2001-02 Operating Budget

Attachment 10 contains the budget resolution for approval by the Board of Regents.

Current, Nonsponsored Funds

The University's fiscal year 2001-02 budget plan is in a true all-funds context. Attachment 1 provides a summary of the estimated current nonsponsored budget plan. It contains actual financial information for fiscal years 1997-98 and 1998-99, 1999-2000 the current budget plan for fiscal year 2000-01, and the proposed budget plan for fiscal year 2001-02.

The current funds nonsponsored budget plan for fiscal year 2001-02 proposes total net resources of $2,198,682,898 and expenditures of $1,753,946,841.

Current, Sponsored Funds

As noted in the earlier discussion of sponsored research, the fiscal year 2001-02 budget plan projects expenditures of approximately $334,000,000 in sponsored research programs. This estimate is subject to significant fluctuations depending upon the availability and success in obtaining external research funds.